



12 CFR Parts 217, 225, 238, and 252

[Regulations Q, Y, LL, and YY; Docket No. R-1724]

RIN 7100-AF95

Capital Planning and Stress Testing Requirements for Large Bank Holding Companies, Intermediate Holding Companies and Savings and Loan Holding Companies

AGENCY: Board of Governors of the Federal Reserve System (Board).

ACTION: Final rule.

SUMMARY: The Board is adopting a final rule (final rule) to tailor the requirements in the Board’s capital plan rule (capital plan rule) based on risk. Specifically, as indicated in the Board’s October 2019 rulemaking that updated the prudential framework for large bank holding companies and U.S. intermediate holding companies of foreign banking organizations (tailoring framework), the final rule modifies the capital planning, regulatory reporting, and stress capital buffer requirements for firms subject to “Category IV” standards under that framework. To be consistent with recent changes to the Board’s stress testing rules, the final rule makes other changes to the Board’s stress testing rules, Stress Testing Policy Statement, and regulatory reporting requirements, such as the assumptions relating to business plan changes and capital actions and the publication of company-run stress test results for savings and loan holding companies. The final rule also applies the capital planning and stress capital buffer requirements to covered saving and loan holding companies subject to Category II, Category III, and Category IV standards under the tailoring framework.

DATES: The final rule is effective [INSERT DATE 60 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

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I. Changes to the capital plan rule

A. Introduction

i. Background on capital planning, stress testing and stress capital buffer requirements

Stress testing is a core element of the Board’s regulatory framework and supervisory program for large firms. Stress testing enables the Board to assess whether large firms have sufficient capital to absorb potential losses and continue lending under severely adverse conditions. Experience has demonstrated that rigorous stress testing—together with stronger capital requirements implemented in the Board’s capital rule—have significantly improved the resilience of the U.S. banking system.¹

The Board implemented its capital plan rule to require large firms to develop and maintain capital plans supported by robust processes for assessing their capital adequacy, in 2011.² The Board made changes to its regulatory capital rule – which establishes minimum regulatory capital requirements – in 2013. These changes address weaknesses observed during the 2008 –

¹ The common equity capital ratios of firms subject to Comprehensive Capital Analysis and Review (CCAR) have more than doubled since 2009. Combined, these firms hold more than \$1 trillion of common equity tier 1 capital and are substantially more resilient than they were ten years ago.

² See 12 CFR 225.8; *see also* Capital Plans, 76 FR 74631 (Dec. 1, 2011). Originally, as a part of the capital plan rule, the Federal Reserve could object to a firm’s capital plan based on a qualitative assessment. A subsequent rulemaking changed this requirement such that after CCAR 2020 no firm will be subject to a potential qualitative objection if the firm successfully passed several qualitative evaluations. Amendments to the Capital Plan Rule, 84 FR 8953 (March 13, 2019). All firms subject to the capital plan rule have successfully passed the required number of qualitative evaluations such that no firms are subject to the qualitative objection going forward. As a result, the final rule revises the capital plan rule to remove references to the qualitative objection.

2009 financial crisis, including the establishment of a minimum common equity tier 1 (CET1) capital requirement and a fixed capital conservation buffer equal to 2.5 percent of risk-weighted assets.³

In March 2020, the Board adopted a final rule (stress capital buffer rule) to integrate its capital plan rule and regulatory capital rule through the establishment of a stress capital buffer requirement, creating a single, risk-sensitive framework for large banking organizations.⁴ To achieve individually tailored and risk-sensitive capital requirements for banking organizations subject to the capital plan rule, the stress capital buffer rule establishes the size of a firm's stress capital buffer requirement based in part on a supervisory stress test conducted by the Federal Reserve.

The stress capital buffer rule included several changes to the assumptions embedded in the supervisory stress test, notably removing the assumption that firms make all planned common distributions and excluding material business plan changes from the stress capital buffer requirement calculation. Previously, under the Comprehensive Capital Analysis and Review (CCAR), the Board assumed that a firm would continue to make all planned dividends and share repurchases under stress, and therefore required firms to pre-fund nine quarters of planned dividends and share repurchases. Under the stress capital buffer rule, the Board no longer assumes that a firm would continue to make all planned dividends and share repurchases under stress. The stress capital buffer requirement includes four-quarters of planned dividends in a firm's capital buffer requirements; therefore, firms are subject to a pre-funding requirement of four quarters of planned dividends. This approach recognizes the capital rule's automatic

³ See 12 CFR part 217. Large banking organizations also became subject to a countercyclical capital buffer requirement, and the largest and most systemically important firms—global systemically important bank holding companies, or GSIBs—became subject to an additional capital buffer based on a measure of their systemic risk, the GSIB surcharge. See Regulatory Capital Rules: Implementation of Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies, 80 FR 49082 (Aug. 14, 2015).

⁴ See Regulations Q, Y, and YY: Regulatory Capital, Capital Plan, and Stress Test Rules, 85 FR 15576 (March 18, 2020).

limitations on capital distributions while continuing to promote forward-looking capital planning and mitigate pro-cyclicality.

Prior to the implementation of the stress capital buffer rule, the impact of expected material changes to a firm's business plan were incorporated into a firm's CCAR results. In order to simplify the stress test framework and to reduce burden, material business plan changes are not included in the stress capital buffer requirement. Instead, material changes to a firm's business plan resulting from a merger or acquisition are incorporated into a firm's capital and risk-weighted assets upon consummation of the transaction.

ii. Background on tailoring framework

In October 2019, the Board issued a final rule that established a revised framework for applying prudential standards to large firms to align prudential standards more closely to a large firm's risk profile (tailoring rule).⁵ The tailoring rule established four categories of prudential standards and applies them based on indicators designed to measure the risk profile of a firm.⁶ Table I outlines the scoping criteria for categories of prudential standards adopted in the final tailoring rule.

⁵ See Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, 84 FR 59032 (Nov. 1, 2019).

⁶ The final rule increased the threshold for general application of these standards from \$50 billion to \$100 billion in total consolidated assets.

Table I: Scoping Criteria for Categories of Prudential Standards

Category	U.S. Banking Organizations	Foreign Banking Organizations
I	U.S. GSIBs and their depository institution subsidiaries	N/A
II	\$700 billion or more in total assets; or \$75 billion or more in cross-jurisdictional activity; and do not meet the criteria for Category I	
III	\$250 billion or more in total assets; or \$75 billion or more in weighted short-term wholesale funding, nonbank assets, or off-balance sheet exposure; and do not meet the criteria for Category I or II	
IV	\$100 billion or more in total assets; and do not meet the criteria for Category I - III	

The tailoring rule made two changes to the stress testing rules for firms subject to Category IV standards. First, the tailoring rule removed the requirement for firms subject to Category IV standards to conduct and publicly disclose the results of company-run stress tests as defined in the Board’s stress testing rules. Second, the tailoring rule changed the frequency of the supervisory stress test for firms subject to Category IV standards from annual to biennial.⁷ In the tailoring rule, the Board also foreshadowed that it intended to provide greater flexibility to firms subject to Category IV standards to develop their annual capital plans and consider additional regulatory reporting burden relief in a separate proposal.⁸

As a part of the tailoring rule, covered savings and loan holding companies were made subject to the Board’s supervisory stress test and company-run stress test requirements in the same manner as comparable bank holding companies. In the tailoring rule, the Board indicated

⁷ Both changes related to stress testing rules for firms subject to Category IV standards – (1) to remove the requirement to conduct and to publicly disclose the results of the company-run stress tests; and (2) to change the frequency of the supervisory stress test to biennial – were consistent with amendments to section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), Public Law 111-203, 124 Stat. 1376 (2010), made by the Economic Growth, Regulatory Relief and Consumer Protection Act (EGRRCPA). *See* Public Law 115-174, 132 Stat. 1296 (2018).

⁸ *See* 85 FR 15576, 15593, fn 57.

that it would apply capital planning requirements to savings and loan holding companies as part of a separate notice.

iii. Overview of proposed rule and summary of comments

On October 7, 2020, the Board issued a proposed rule (proposed rule or proposal) that would have modified the Board’s capital planning and stress capital buffer requirements to be more consistent with the tailoring framework.⁹ Specifically, for firms subject to Category IV standards, the proposal would have generally removed the requirement under the capital plan rule to calculate forward-looking projections of capital under scenarios provided by the Board. In addition, the proposal would have reduced the frequency with which the Federal Reserve would calculate the decline in the CET1 capital ratios for firms subject to Category IV standards for purposes of the stress capital buffer requirement, by revising it from an annual to a biennial calculation. The proposal also would have given these firms the ability to elect to participate in the supervisory stress test—and receive an updated stress capital buffer requirement—in a year in which they would not generally be subject to the supervisory stress test.¹⁰

The proposal included changes to the Board’s supervisory stress test and the company-run stress test rules.¹¹ In particular, the proposal would have clarified the assumptions related to business plan changes, introduced revisions to the capital action assumptions, and required certain savings and loan holding companies to publicly disclose their stress tests results in a parallel manner to bank holding companies.

The proposal also solicited comment on several topics, including the Federal Reserve’s guidance on capital planning, a definition of “common stock dividend” for purposes of the

⁹ 85 FR 63222 (Oct. 7, 2020).

¹⁰ The proposal would have allowed the Board, under certain circumstances, based on the macroeconomic outlook or based on the firm’s risk profile, financial condition or corporate structure, to require a firm subject to Category IV standards to submit a capital plan under scenarios provided by the Board.

¹¹ See 12 CFR part 252, subparts E and F.

capital plan rule, and the application of capital planning and stress capital buffer requirements to savings and loan holding companies.

The Board received thirteen comment letters from banking organizations, public interest groups, trade associations, and individuals. While many commenters were supportive of the proposal, some commenters opposed or requested additional clarification on parts of the proposed rule, including the changes related to capital planning requirements, the calculation and timing of the stress capital buffer requirement, and regulatory reporting changes for firms subject to Category IV requirements. In addition, commenters provided input on the Board's capital planning guidance, a definition of a common stock dividend for purposes of the capital plan rule, and the application of capital planning and stress capital buffer requirements to savings and loan holding companies. The Board's responses to the comments are provided in the discussion of the final rule. The Board also received several comments on issues not related to the proposal, which are not addressed below as they are outside the scope of this rulemaking.¹²

iv. Overview of final rule

Consistent with the proposal, the final rule revises the capital planning requirements for firms subject to Category IV standards to better align such requirements with the risk profiles of these firms. Specifically, the final rule removes the requirement for firms subject to Category IV standards to provide projections in a firm's capital plan under the supervisory scenarios and the requirement to submit FR Y-14A schedules associated with company-run stress test results. The

¹² In particular, the Board received comments related to allowed distributions during a capital plan resubmission period, the definition of "material" in the capital plan rule, collecting additional data related to purchase accounting, reintroducing the materiality threshold for a regulatory reporting requirement, including climate risks in the stress test, the criteria for application of the global market shock and large counterparty default components, the calculation of capital and loss absorbing capacity requirements for intermediate holding companies, the requirements for including capital actions in company-run stress tests, the inclusion of leverage ratios in the stress test, and the volatility of the stress capital buffer requirement. The Board also received several technical comments on the supervisory stress test models, including related to its revenue model, global market shock losses, and losses related to large counterparty defaults.

final rule also replaces the use of “large and noncomplex bank holding company” with the definition of a firm subject to Category IV standards.

The final rule requires the stress test portion of the stress capital buffer requirement of a firm subject to Category IV standards to be updated in a manner consistent with the frequency of the supervisory stress test. The stress test portion of such a firm’s stress capital buffer requirement will not be updated in a year in which it does not participate in the supervisory stress test. The final rule allows such a firm to elect to opt-in to a stress test in a year in which the firm would not generally be subject to the supervisory stress test and to receive an updated stress capital buffer requirement in that year.

The final rule adopts the proposed changes to the Board’s supervisory stress test and the company-run stress test rules, which clarify the assumptions firms and the Federal Reserve should make regarding the effects of material business plan changes in their stress test results and require certain savings and loan holding companies to publicly disclose their stress tests results.

The final rule also applies capital planning and stress capital buffer requirements to covered saving and loan holding companies subject to Category II, Category III, or Category IV standards under the tailoring framework.

B. Changes to capital planning requirements for firms subject to Category IV standards

Consistent with section 401(e) of EGRRCPA, the tailoring rule adjusted the frequency of supervisory stress testing for firms subject to Category IV standards to every other year and eliminated the requirement to conduct and publicly disclose the results of a company-run stress test under the scenarios provided by the Board. These adjustments reflected the lower risk profile of a firm subject to Category IV standards relative to firms subject to Category I, II, or III

standards. The final rule tailors the requirements in the capital plan rule that currently apply to Category IV firms, as discussed below.

The proposal would have updated the terminology in the capital plan rule to conform to the terminology used in the tailoring rule by removing the term “large and noncomplex bank holding company” and replacing it with the definition of a firm subject to Category IV standards. No comments were received on this change and the final rule adopts it as proposed. Given the effective date of this final rule, the definition of “large and noncomplex bank holding company” will be changed on the FR Y-14 reports beginning with the December 31, 2020, as of date.¹³

Under the proposal, firms subject to Category IV standards generally would not have been required to calculate estimates of projected revenues, losses, reserves, or pro forma capital levels (effectively a form of stress testing) using scenarios provided by the Board. However, under certain circumstances, based on the macroeconomic outlook or based on the firm’s risk profile, financial condition, or corporate structure, the proposal would have allowed the Board to require a firm subject to Category IV standards to submit a capital plan under scenarios provided by the Board. No comments were received on the removal of the general requirement for firms subject to Category IV standards to calculate stress test results under scenarios provided by the Board, or on the stipulation that the Board may require firms to make such calculations in particular circumstances. The final rule adopts these changes as proposed.

The proposal would have updated regulatory reporting requirements to reflect the tailoring rule’s elimination of the company-run stress test requirement for a firm subject to Category IV standards. Specifically, under the proposal such firms would no longer have been required to submit to the Federal Reserve forward-looking projections in the granular form

¹³ The proposal also would have modified the terms “BHC baseline scenario” and “BHC stress scenario” in the capital plan rule to “Firm baseline scenario” and “Firm stress scenario,” respectively. To clarify that these are scenarios generated internally by firms, the final rule modifies the terms “BHC baseline scenario” and “BHC stress scenario” to “Internal baseline scenario” and “Internal stress scenario,” respectively. These terms will be changed on the FR Y-14 reports beginning with the December 31, 2020, as of date.

prescribed by the FR Y-14A, Schedule A – Summary, Schedule B – Scenario, Schedule F – Business Plan Changes, and Appendix A – Supporting Documentation.

A commenter on the proposal noted that the Federal Reserve did not articulate the public benefits of removing the reporting requirements for firms subject to Category IV standards. Removing these reporting requirements is necessary to effectuate the elimination of the company-run stress test requirement for these firms adopted in the tailoring rule. As discussed in the tailoring rule, eliminating the company-run stress test requirement for firms subject to Category IV standards is consistent with the statutory provisions and appropriate for these firms' risk profile. These reporting schedules are not publicly available, so the adjustments to the reporting requirements do not affect the information in the public domain. This revision comes into effect beginning with the 2021 capital planning cycle.¹⁴

The proposal would have added four line items to FR Y-14A, Schedule C – Regulatory Capital Instruments, to provide the information needed to determine whether planned capital distributions included in a firm's capital plan are consistent with any effective capital distribution limitations that would apply under the firm's projections in the Internal baseline scenario, as required by the capital plan rule.¹⁵ No comments were received on this aspect of the proposal. To support compliance with the capital plan rule, these line items have been added to FR Y-14A, Schedule C, and are effective for the April 5, 2021, submission with a December 31, 2020, as of date.¹⁶ This will ensure that the Board can confirm compliance with the capital plan rule during the 2021 capital planning cycle. Under the final rule, firms subject to Category IV standards will continue to be required to provide a forward-looking analysis of income and capital levels under

¹⁴ Firms subject to Category IV standards will continue to be required to complete the FR Y-14A, Schedule C – Regulatory Capital Instruments, Schedule E – Operational Risk, and the Collection of Supplemental CECL Information.

¹⁵ The line items would be the projections of Common Equity Tier 1 capital ratio, Tier 1 capital ratio, Total capital ratio, and net income under the Internal baseline scenario.

¹⁶ FR Y-14A, Schedule C, is required for all firms subject to the capital plan rule on an annual basis.

expected and stressful conditions in their annual capital plans. These projections are required to be tailored to, and sufficiently capture, the firm's exposures, activities, and idiosyncratic risks in their capital plans.¹⁷ This includes projections under a scenario designed by the firm that stresses the specific vulnerabilities of the firm's risk profile and operations. This scenario should incorporate stressful conditions and events that could adversely affect the firm's capital adequacy.

While the final rule does not require firms subject to Category IV standards to include certain elements in their capital plans, all banking organizations, regardless of size and complexity, are expected to have the capacity to analyze the potential impact of adverse outcomes on their financial condition, including on capital.¹⁸ Therefore, risk-management practices should be tailored to the risk and complexity of the individual firm and should include practices to identify and assess its sensitivity to unexpected adverse outcomes before they occur. The Federal Reserve will continue to conduct an annual assessment of the capital plan of a firm subject to Category IV standards as part of its ongoing supervisory process, and the results of

¹⁷ The analysis should cover an appropriate period (usually a period of at least two years) to capture the relevant risks to a firm. A firm should estimate losses, revenues, expenses, and capital using sound methods that relate macroeconomic and other risk drivers to its estimates.

¹⁸ For example, bank holding companies with less than \$50 billion in total consolidated assets are subject to guidance that clarifies such firms are expected to hold capital commensurate with their overall risk profile. *See* SR Letter 09-4, Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies (Feb. 24, 2009, revised July 24, 2020). Holding companies with less than \$100 billion in total consolidated assets are subject to an overall evaluation and rating of managerial and financial condition and an assessment of future potential risk to subsidiary depository institution(s) as part of the RFI or Modified RFI rating. *See* SR Letter 19-4 / CA Letter 19-3, Supervisory Rating System for Holding Companies with Total Consolidated Assets Less Than \$100 billion (Feb. 26, 2019) and SR Letter 13-21, Inspection Frequency and Scope Requirements for Bank Holding Companies and Savings and Loan Holding Companies with Total Consolidated Assets of \$10 Billion or Less (Dec. 17, 2019, revised Mar. 6, 2019). Bank holding companies with total consolidated assets of \$100 billion or greater and certain savings and loan holding companies are subject to a supervisory evaluation of whether a covered firm possesses sufficient financial and operational strength and resilience to maintain safe-and-sound operations through a range of conditions, including stressful ones. *See* SR Letter 19-3, Large Financial Institution (LFI) Rating System (Feb. 26, 2019).

this assessment will continue to be an input into the firm's capital planning and positions component of the Large Financial Institution Rating System.

C. Calculation and timing of the stress capital buffer requirement for firms subject to Category IV standards

Firms subject to Category IV standards are currently subject to supervisory stress testing on a two-year cycle. To align with the stress testing cycle for firms subject to Category IV standards, the proposal would have required the portion of the stress capital buffer requirement that is calculated as the decline in a firm's CET1 capital ratio to be calculated every other year. During a year in which a firm subject to Category IV standards does not undergo a supervisory stress test, the firm would have received an updated stress capital buffer requirement that reflects the firm's updated planned common stock dividends.

A commenter objected to the proposed frequency of adjustments for the calculation of the decline in CET1 capital ratios for purposes of stress capital buffer requirement for firms subject to Category IV standards. This commenter argued that a biennial frequency would adversely affect comparability across firms subject to the stress capital buffer requirement and cause their stress capital buffer requirements to rely on outdated information. As stated in the proposal, these adjustments align with the requirement under EGRRCPA to apply supervisory stress testing on a "periodic" basis to firms with \$100 billion to \$250 billion in assets, and the revisions to the supervisory stress test under the tailoring rule that changed the stress testing cycle for firms subject to Category IV standards from annual to biennial.^{19, 20} Therefore, consistent with the proposal, the final rule requires the portion of the stress capital buffer requirement that is

¹⁹ See Economic Growth, Regulatory Relief, and Consumer Protection Act, S. 2155, 115th Congress (2018).

²⁰ See Prudential Standards for Large Bank Holding Companies, Savings and Loan Holding Companies, and Foreign Banking Organizations, 84 FR 59032 (Nov. 1, 2019).

calculated as the decline in the CET1 capital ratio for firms subject to Category IV standards to be calculated every other year.²¹

The proposal would have allowed a firm subject to Category IV standards to elect to participate in the supervisory stress test in a year in which the firm would not normally be subject to the supervisory stress test. A firm that makes such an election would be a full participant in that year's supervisory stress test, including being subject to the disclosure requirements related to the firm's supervisory stress test results, and would receive an updated stress capital buffer requirement.

Commenters generally supported the opt-in election set forth in the proposal and stated that the flexibility provided under this approach is appropriate for the risk profile of firms subject to Category IV standards. By contrast, one commenter argued that the opt-in election could undermine the credibility of the stress testing framework and cause concern regarding banking organizations that choose not to participate (that is, firms that choose not to participate may be perceived as being in weaker condition).

The final rule allows firms subject to Category IV standards to request an updated stress capital buffer requirement in a year in which it would not generally be subject to the supervisory stress test. A firm's decision to request such an update could stem from various factors, such as recent significant changes to the firm's risk profile or corporate structure. The approach in the final rule reduces burden as a general matter while also providing flexibility for firm-specific requests.

The proposal would have required a firm subject to Category IV standards to provide written notice of its election to the Board and appropriate Federal Reserve Bank by December 31 of the year preceding the year in which it seeks to opt in to the supervisory stress test. For

²¹ The final rule also clarifies that a firm will not receive notice of its stress capital buffer requirement until the first year the Board conducts a supervisory stress test of the firm.

purposes of the 2021 supervisory stress test, the proposal included transitional procedures such that a firm subject to Category IV standards would have had until February 15, 2021, to provide written notice of its opt-in election to the Board and appropriate Federal Reserve Bank.

A number of commenters argued that the proposal's December 31 cut-off date for the opt-in notification is too early and requested that the final rule provide a mid-March deadline for a firm subject to Category IV standards to notify the Board and the appropriate Federal Reserve Bank in writing of its opt-in election for that year's supervisory stress test. Additionally, these commenters argued that the February 15 deadline is too early for the 2021 stress test cycle and requested more time to make their opt-in election.

In response to these comments, the final rule requires firms subject to Category IV standards to provide prior written notice of their opt-in election to the Board and the appropriate Federal Reserve Bank by January 15 of any year in which they are not required to participate in the supervisory stress test, rather than the earlier December 31 deadline. The January 15 date will provide these firms with more time to better understand their year-end financial results. The Board is also selecting this date because it generally precedes the announcement of stress test scenarios. Under the final rule, for purposes of the 2021 stress testing cycle, firms subject to Category IV standards have until April 5, 2021, to provide prior written notice of their opt-in election to the Board and the appropriate Federal Reserve Bank.²²

Commenters requested clarity on whether there would be required disclosure of the stress capital buffer requirement for a firm subject to Category IV standards that did not participate in the supervisory stress test. One of these commenters supported mandatory disclosure of such a firm's stress capital buffer requirement, regardless of opt-in or mandatory participation in the supervisory stress test for any given year.

²² In order to provide notice to the Federal Reserve, firms should send a letter to the appropriate Federal Reserve Bank and to the Stress Testing Communication mailbox (info.stresstesting@frb.gov).

For all firms subject to the capital plan rule, the stress capital buffer requirement will be updated and publicly disclosed on an annual basis. During a year in which a firm subject to Category IV standards is not generally subject to the supervisory stress test, this firm will receive an updated stress capital buffer requirement that reflects the firm's updated planned common stock dividends.

As discussed in the proposal and allowed under the current capital plan rule, the Board retains the ability to require a firm to resubmit its capital plan if, among other reasons, the Board determines that there has been or will likely be a material change in the firm's risk profile, financial condition, or corporate structure, or if changes to financial market conditions or the macroeconomic outlook require the use of updated scenarios. If a firm resubmits its capital plan, the Board may recalculate its stress capital buffer requirement and may use a new severely adverse scenario. These requirements help ensure that a firm's stress capital buffer requirement remains commensurate with its risk profile.

D. Changes to stress test rules for firms with total consolidated assets of at least \$100 billion

i. Business plan change assumption

For purposes of the supervisory stress test, the Board does not incorporate the impact of expected changes to a firm's business plan that are likely to have a material impact on the firm's capital adequacy and funding profile (material business plan changes) in the balance sheet, risk-weighted asset, and capital projections. In order to ensure alignment in the assumptions in the supervisory and company-run stress tests, the proposal would have clarified that the Board and firms would exclude the impacts of unconsummated material business plan changes in the supervisory and company-run stress tests conducted pursuant to the Dodd-Frank Act. As this assumption would be reflected in the stress test rules, the proposal would have removed the corresponding section from the Stress Testing Policy Statement. No comments were received on these aspects of the proposal, and the final rule adopts them as proposed.

Under the final rule, each firm will continue to be required to include in its capital plan a discussion of any expected changes to the firm's business plan that are likely to have a material impact on the firm's capital adequacy or liquidity. Each firm will also continue to be required to incorporate impacts of material business plan changes in projections of income and capital levels under all scenarios required for purposes of capital planning. This requirement helps to ensure that a firm appropriately understands the impact of changes to its business on the firm's forward-looking capital position. If a material business plan change resulted in or would result in a material change in a firm's risk profile, the firm would still be required to resubmit its capital plan.

ii. Changes to reporting requirements related to stress test rule changes

The proposal would have updated the FR Y-14 reporting requirements for firms with total consolidated assets of at least \$100 billion to conform with changes made to the stress test rules.

Consistent with the proposal and as described above, the final rule no longer requires firms subject to Category IV standards to submit FR Y-14A schedules associated with company-run stress test results. These schedules include FR Y-14A, Schedule A, Schedule B, Schedule F, and Appendix A.

In order to reflect the exclusion of material business plan changes in company-run stress test projections while also ensuring firms incorporate impacts of material business plan changes in projections of income and capital levels required for purposes of capital planning, the proposal would create two sub-schedules for all items on FR Y-14A, Schedule A and Schedule C: one where a firm would not incorporate the effects of material business plan changes and one where a firm would incorporate the effects of business plan changes, consistent with prior FR Y-14A

reporting requirements.^{23, 24} Firms subject to Category I, II, or III standards would be required to submit the two sub-schedules for both FR Y-14A, Schedule A and Schedule C, and firms subject to Category IV standards would be required to submit the two sub-schedules for only FR Y-14A, Schedule C.

Firms would report projections on the “DFAST” sub-schedule under the scenarios provided by the Federal Reserve, and firms would report projections on the “CCAR” sub-schedule under expected conditions and under a range of scenarios, including the supervisory severely adverse scenario provided by the Federal Reserve and at least one baseline scenario and one stress scenario generated by the firms. Given the changes made to FR Y-14A, Schedule A, firms subject to Category I, II, or III standards would no longer be required to submit the supervisory baseline scenario for FR Y-14A, Schedule F – Business Plan Changes. As noted in sections of the proposal and this final rule on the Paperwork Reduction Act, firms are required to report FR Y-14A, Schedule F, under the Internal baseline and supervisory severely adverse scenarios.

A commenter opposed the proposed reporting changes as they would increase the reporting burden for firms subject to Category I, II, or III standards, and instead suggested that the Board add scenarios to the FR Y-14A, Schedule F – Business Plan Changes. Although the changes in the proposal would modestly increase reporting requirements for firms subject to Category I, II, or III standards that include material business plan changes in their capital plan submission, projections both inclusive and exclusive of material business plan changes are

²³ These sub-schedules include FR Y-14A, Schedule A.1.a – Income Statement, Schedule A.1.b – Balance Sheet, Schedule A.1.c.1 – Standardized RWA, Schedule A.1.d – Capital, Schedule A.2.a – Retail Balance and Loss Projections, Schedule A.3 – AFS/HTM Securities, Schedule A.4 – Trading, Schedule A.5 – Counterparty Credit Risk, Schedule A.6 – Operational Risk, and Schedule A.7 – Pre-Provision Net Revenue.

²⁴ On FR Y-14A, Schedule A, the “DFAST” sub-schedule would not include the effects of material business plan changes and the “CCAR” sub-schedule would include these effects. On FR Y-14A, Schedule C, the “SCB” sub-schedule would not include the effects of material business plan changes and the “CCAR” sub-schedule would include these effects.

necessary for the Federal Reserve to monitor that a firm appropriately plans for changes to its business for purposes of capital planning. In addition, the proposed reporting changes ensure reporting of company-run stress results that are comparable to the supervisory stress test results. These projections are also necessary for the Federal Reserve to be able to project stress losses and calculate the dividend add-on for the stress capital buffer requirement using the assumptions in the stress test rules. In response to the commenter’s suggestion, subtracting the values reported on FR Y-14A, Schedule F, from those reported on FR Y-14A, Schedule A, would not provide the impact of the business plan change on projections, as Schedule F only captures the “day one” impact of the business plan change. Therefore, the final rule adopts these reporting requirements as proposed.

In addition, several commenters requested clarification about whether the proposed FR Y-14A reporting requirements include all or only material business plan changes. Under the final rule, firms should exclude the effects of material business plan changes from the “DFAST” sub-schedule of FR Y-14A, Schedule A – Summary, and the “SCB” sub-schedule of Schedule C – Regulatory Capital Instruments. Firms should include only material business plan changes in FR Y-14A, Schedule F – Business Plan Changes.

These revisions to the FR Y-14A will be effective as of the FR Y-14A submission due on April 5, 2021.

E. Covered savings and loan holding companies

i. Application of capital plan rule

The Board currently assesses the condition, performance, and activities of savings and loan holding companies on a consolidated basis in the same manner that the Board assesses the condition, performance, and activities of bank holding companies, taking into account any unique characteristics of savings and loan holding companies and the requirements of the Home Owners’ Loan Act.²⁵ Under the tailoring rule, the Board applies supervisory stress testing

²⁵ 12 U.S.C. 1461 *et seq.*

requirements to covered savings and loan holding companies subject to Category II, III, or IV standards.²⁶ The tailoring rule also applies company-run stress test requirements to covered savings and loan holding companies subject to Category II or III standards. The scale, complexity, and risk factors for these firms warrant more sophisticated capital planning, more frequent company-run stress testing, and greater supervisory oversight through supervisory stress testing than for smaller and less complex firms. To implement the supervisory stress test for covered savings and loan holding companies, the tailoring rule required a covered savings and loan holding company to report the FR Y-14 report in the same manner as a bank holding company.

The proposal solicited comment on whether to apply capital planning and stress capital buffer requirements to covered savings and loan holding companies subject to Category II, III, or IV standards. In particular, the Board solicited comment on the advantages and disadvantages of applying these requirements to large covered savings and loan holding companies in the same manner as they apply to large bank holding companies, whether any adjustments to those requirements should be made for covered savings and loan holding companies, what other approaches to applying capital planning requirements to covered savings and loan holding companies the Board should consider, and whether the current transition period in the capital plan rule for large bank holding companies would be appropriate for covered savings and loan holding companies. The Board received two comments on this element of the proposal. Commenters suggested that the Board provide covered savings and loan holding companies the option to comply with capital planning and stress capital buffer requirements, particularly for those covered savings and loan holding companies that are subject to less risk. To the extent compliance is mandatory, commenters asserted that the Board should tailor the requirements to a covered savings and loan holding company's risk profile and provide an extended transition

²⁶ A covered savings and loan holding company is a savings and loan holding company not predominantly engaged in insurance or commercial activities (*see* 12 CFR 217.2).

period for covered savings and loan holding companies to come into compliance with such requirements.

For the reasons set forth below, the Board is applying the capital planning and stress capital buffer requirements to covered savings and loan holding companies subject to Category II, III, or IV standards in the same manner as they apply to large bank holding companies subject to Category II, III, or IV standards.²⁷ Additionally, the Board is adopting capital planning reporting requirements for covered savings and loan holding companies.²⁸ A covered savings and loan holding company that becomes subject to capital planning requirements as of the effective date of this rule would be required to submit its first capital plan on April 5, 2022.

Capital is central to a firm's ability to absorb unexpected losses and continue to lend to creditworthy businesses and consumers. The Board's capital planning requirements for large bank holding companies help to ensure that these firms have robust systems and processes that incorporate forward-looking projections of revenue and losses to monitor and maintain their internal capital adequacy. The stress capital buffer requirement helps ensure that a firm can meet its obligations to creditors and other counterparties, as well as continue to serve as a financial intermediary through periods of financial and economic stress. As the Board noted in its final tailoring rule, covered savings and loan holding companies engage in many of the same activities and face similar risks as bank holding companies. Accordingly, the final rule applies capital planning and stress capital buffer requirements to covered savings and loan holding companies

²⁷ The capital planning and stress capital buffer requirements for covered savings and loan holding companies subject to Category II, III, or IV standards are codified at 12 CFR 238.170. The Board also has made conforming changes to its capital rule and stress testing rules for covered savings and loan holding companies.

²⁸ Covered savings and loan holding companies subject to Category II or III standards will be required to submit FR Y-14A, Schedule A – Summary, Schedule B – Scenario, Schedule C – Regulatory Capital Instruments, Schedule E – Operational Risk, and Schedule F – Business Plan Changes. Covered savings and loan holding companies subject to Category IV standards will be required to submit FR Y-14A, Schedule C – Regulatory Capital Instruments.

subject to Category II, III, or IV standards in the same manner as they apply to large bank holding companies subject to Category II, III, or IV standards.

While commenters recommended that the Board permit a covered savings and loan holding company to opt out of these requirements because they have different risk profiles than similarly sized bank holding companies, the final rule does not include such an option because these requirements will promote the safety and soundness of a covered savings and loan holding company by ensuring that a covered savings and loan holding company is required to maintain capital commensurate with its risk profile and activities. Moreover, the capital planning and stress testing requirements that apply to bank holding companies do not provide for such an opt-out election.

One commenter asserted that capital planning requirements should be appropriately tailored to the risk profile of covered savings and loan holding companies, including that these firms should not be subject to the large counterparty default component or the qualitative objection, and should only have to file certain schedules of the FR Y-14A. The Board's capital planning requirements are tailored based on a firm's tailoring category as outlined above in Section I.B of this Supplementary Information section, as well as certain attributes of the firm that are independent of its tailoring category. Specifically, the components of the capital planning requirements that apply to a firm are naturally tailored as they require a firm's capital plan to include an assessment of the expected uses and sources of capital over the planning horizon that reflects the firm's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions.²⁹ Similarly, the large counterparty default component in the Board's company-run stress testing requirements for bank holding companies and covered

²⁹ The Federal Reserve's supervisory guidance for capital planning is also tailored to a firm's risk profile. For example, the Federal Reserve SR Letter 15-19 notes that "a firm should employ risk measurement approaches that are appropriate for its size, complexity, and risk profile." See SR Letter 15-19, "Federal Reserve Supervisory Assessment of Capital Planning and Positions for Large and Noncomplex Firms," December 18, 2015.

savings and loan holding companies is also tailored based on a firm's risk profile as it only applies based on the firm's financial condition, size, complexity, risk profile, scope of operations, or activities.³⁰

Further, like the capital planning requirements for large bank holding companies, the Board will not have the ability to issue a qualitative objection to a covered savings and loan holding company's capital plan; rather, it will conduct a robust qualitative review of covered savings and loan holding companies' capital planning practices during the traditional supervisory process. Finally, reporting requirements on the FR Y-14A are also tailored, as certain firms are not required to complete certain schedules based on their size and complexity (i.e., firms subject to Category IV standards are not required to complete FR Y-14A, Schedule A – Summary).

A commenter also asserted that the Board should provide a transition period until at least the 2024 capital planning cycle for covered and savings and loan holding companies to come into compliance with capital planning and stress capital buffer requirements, and should provide feedback on firms' initial capital plans on a confidential basis without the initial submission being evaluated under the Federal Reserve's LFI ratings framework. The commenter asserted that such a transition would provide the firm with additional time to understand the Federal Reserve's supervisory expectations prior to receiving public feedback.

Under the tailoring final rules, covered savings and loan holding companies were required to comply with stress testing requirements on the first day of the ninth quarter following the effective date of the final rule. A firm that was subject to the requirements on the date of the tailoring final rule would be required to comply with stress testing requirements for the 2022 stress test cycle. In addition, a firm would be required to file its first FR Y-14A submission on April 5, 2022. To align the stress testing requirements with the capital planning requirements, the capital plan rule applicable to covered savings and loan holding companies would have the same transition provision as the rule applicable to bank holding companies. Specifically, a firm

³⁰ See 12 CFR 238.143(b)(2)(ii); 12 CFR 252.54(b)(2)(ii).

that becomes subject to the rule on or before September 30 of a calendar year must comply with the rule on January 1 of the next calendar year and a firm that becomes subject to the rule after September 30 of a calendar year must comply with the requirements beginning on January 1 of the second calendar year after it meets the relevant threshold. A covered savings and loan holding company will not receive a stress capital buffer requirement until the first year the Board conducts a supervisory stress test of the firm.

Moreover, the Federal Reserve generally does not provide firms with public feedback on their capital plans. However, the initial submission will provide the Federal Reserve with information about the firm's capital planning practices that will be considered as part of the firm's rating evaluation.

The Board also proposed to revise the FR Y-14A report to require covered savings and loan holding companies subject to Category II or III standards to submit FR Y-14A, Schedule A – Summary, Schedule B – Scenario, Schedule E – Operational Risk, and Schedule F – Business Plan Changes, as these schedules are needed for the company-run and supervisory stress tests and for capital planning supervision. In the proposal, the Board asked whether it should revise the regulatory reporting requirements for covered savings and loan holding companies if they were to become subject to the capital plan rule. Given that the Board is applying capital planning and stress capital buffer requirements to savings and loan holding companies, the Board is also requiring covered savings and loan holding companies subject to Category II, III, or IV standards to submit FR Y-14A, Schedule C – Regulatory Capital Instruments, as this schedule is essential for monitoring compliance with the capital plan rule. Requiring covered savings and loan holding companies to submit this information would better align the FR Y-14A reporting requirements for firms with similar risk characteristics.

ii. Stress test rule changes

As a part of the tailoring rule, covered savings and loan holding companies were made subject to the Board's supervisory stress test and company-run stress test requirements in the

same manner as bank holding companies. Currently, the capital action assumptions in the stress test rules for covered savings and loan holding companies are different than those for bank holding companies because they were not included in the stress capital buffer rule, in which the Board updated the distribution assumptions for bank holding companies. The proposal would have amended the stress test rules for covered savings and loan holding companies so the capital distribution assumptions for covered savings and loan holding companies would match the assumptions for bank holding companies.

The proposal also would have addressed an omission in the Board's company-run stress test requirements to ensure that all savings and loan holding companies with more than \$250 billion in assets are required to publicly disclose the results of their stress tests, similar to the requirement for bank holding companies. This would have ensured the requirements are consistent with the Dodd-Frank Act.

No comments were received on these aspects of the proposal, and the final rule adopts them as proposed.

F. Definition of common stock dividend in capital plan rule

As a part of the proposal, the Board sought comment on a definition for common stock dividends in the capital plan rule. The proposal noted that the definition of common stock dividend could be aligned with the definition on the FR Y-9C or could include payments of cash to parent organizations irrespective of whether the amount paid is debited from the firm's retained earnings.

Some commenters, particularly foreign banking organizations, opposed a definition of dividends for the capital plan rule. These commenters noted that the definition provided in the proposal was overly broad and could capture capital actions that may not be considered dividends from corporate law or accounting perspectives. Additionally, they noted that the definition could have unforeseen consequences on intercompany agreements, including payments for intercompany services, tax sharing, and other purposes.

The Board is not at this time adopting a definition of dividends for the capital plan rule. The FR Y-14A defines dividends by referencing the definition of dividend in the Glossary to the FR Y-9C instructions. That definition provides, among other things, that cash dividends are “payments of cash to shareholders in proportion to the number of shares they own.” Firms should continue to use this definition when reporting the FR Y-14A.

The Board will continue to monitor firm behavior on the classification of capital actions and the timing of those actions over the capital plan projection horizon. Using this information, the Board will continue to consider whether a definition of dividends for the capital plan rule is required in order to provide comparable treatment to all firms subject to the requirements.

G. Impact Analysis

The regulatory reporting aspects of the final rule include additional compliance burden on firms subject to Category I through III standards, but a reduction in compliance burden on firms subject to Category IV standards.

Covered savings and loan holding companies have not been subject to supervisory stress testing requirements to date. One covered savings and loan holding company would become subject to the requirements based on third quarter 2020 data, and this firm is currently constrained by its leverage requirement. It is estimated that this firm’s stress capital buffer would need to be over 2.75 times the median of firms’ 2020 stress capital buffers for there to be an increase in its capital requirements.

II. Board guidance on capital planning

The Board has issued guidance related to sound capital planning practices that has been tailored based on the size, scope of operations, activities, and systemic importance of a firm. In the proposal, the Board requested comment on all aspects of its guidance on capital planning for firms of all sizes, consistent with its ongoing practice of reviewing its policies to ensure that they are having their intended effect. The Board’s key capital planning guidance includes supervision and regulation (SR) letters, “Federal Reserve Supervisory Assessment of Capital Planning and

Positions for LISCC Firms and Large and Complex Firms” (SR 15-18),³¹ “Federal Reserve Supervisory Assessment of Capital Planning and Positions for Large and Noncomplex Firms” (SR 15-19),³² “Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies” (SR 09-4),³³ and the “Policy Statement on the Payment of Cash Dividends.”³⁴ The Board also encouraged feedback on any other aspects of its guidance that relate to capital planning.

The Board received numerous comments on its capital planning guidance. The Board will address these comments separately.

III. Administrative Law Matters

A. Paperwork Reduction Act

Certain provisions of the final rule contain “collections of information” within the meaning of the Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501-3521). The Board may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. The Board reviewed the final rule under the authority delegated to the Board by OMB.

The proposed rule would have revised collection of information requirements subject to the PRA. The Board proposed to revise the FR Y-14A/Q/M, FR LL, and the FR YY to reflect the changes proposed in the proposed rule. The OMB control numbers are 7100-0341, 7100-0380, and 7100-0350, respectively. The Board received no comments regarding these proposed

³¹ SR letter 15-18, “Federal Reserve Supervisory Assessment of Capital Planning and Positions for LISCC Firms and Large and Complex Firms,” December 18, 2015. *See* <https://www.federalreserve.gov/supervisionreg/srletters/sr1518.htm>.

³² SR letter 15-19, “Federal Reserve Supervisory Assessment of Capital Planning and Positions for Large and Noncomplex Firms,” December 18, 2015. *See* <https://www.federalreserve.gov/supervisionreg/srletters/sr1519.htm>.

³³ SR letter 09-4, “Applying Supervisory Guidance and Regulations on the Payment of Dividends, Stock Redemptions, and Stock Repurchases at Bank Holding Companies,” February 24, 2009. *See* <https://www.federalreserve.gov/boarddocs/srletters/2009/SR0904.htm>.

³⁴ “UN SOUND BANKING PRACTICES—Cash Dividends Not Fully Covered by Earnings,” November 14, 1985. *See* <https://www.federalreserve.gov/boarddocs/srletters/2009/sr0904a2.pdf>.

revisions under the PRA, and is adopting the revisions as proposed, with certain modifications to account for changes between the proposed rule and final rule.

Revisions, With Extension for Three Years, of the Following Information Collections:

(1) *Report title:* Capital Assessments and Stress Testing Reports.

Agency form number: FR Y-14A/Q/M.

OMB control number: 7100-0341.

Frequency: Annually, quarterly, and monthly.

Respondents: These collections of information are applicable to bank holding companies (BHCs), U.S. intermediate holding companies (IHCs), and covered savings and loan holding companies (SLHCs)³⁵ with \$100 billion or more in total consolidated assets, as based on: (i) the average of the firm's total consolidated assets in the four most recent quarters as reported quarterly on the firm's Consolidated Financial Statements for Holding Companies (FR Y-9C; OMB No. 7100-0128); or (ii) if the firm has not filed an FR Y-9C for each of the most recent four quarters, then the average of the firm's total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm's FR Y-9Cs. Reporting is required as of the first day of the quarter immediately following the quarter in which the respondent meets this asset threshold, unless otherwise directed by the Board.

Estimated number of respondents: FR Y-14A/Q: 36; FR Y-14M: 34.³⁶

³⁵ Covered SLHCs are those which are not substantially engaged in insurance or commercial activities. For more information, see the definition of "covered savings and loan holding company" provided in 12 CFR 217.2 and 12 CFR 238.2(ff). Covered SLHCs with \$100 billion or more in total consolidated assets became members of the FR Y-14Q and FR Y-14M panels effective June 30, 2020, and will become members of the FR Y-14A panel effective December 31, 2021. *See* 84 FR 59032 (November 1, 2019).

³⁶ The estimated number of respondents for the FR Y-14M is lower than for the FR Y-14Q and FR Y-14A because, in recent years, certain respondents to the FR Y-14A and FR Y-14Q have not met the materiality thresholds to report the FR Y-14M due to their lack of mortgage and credit activities. The Board expects this situation to continue for the foreseeable future.

Estimated average hours per response: FR Y-14A: 1,250 hours; FR Y-14Q: 2,143 hours; FR Y-14M: 1,072 hours; FR Y-14 On-going Automation Revisions: 480 hours; FR Y-14 Attestation On-going Attestation: 2,560 hours.

Estimated annual burden hours: FR Y-14A: 45,000 hours; FR Y-14Q: 308,592 hours; FR Y-14M: 437,376 hours; FR Y-14 On-going Automation Revisions: 17,280 hours; FR Y-14 Attestation On-going Attestation: 33,280 hours.

General description of report: This family of information collections is composed of the following three reports:

- The annual³⁷ FR Y-14A collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios.
- The quarterly FR Y-14Q collects granular data on various asset classes, including loans, securities, trading assets, and pre-provision net revenue for the reporting period.
- The monthly FR Y-14M is comprised of three retail portfolio- and loan-level schedules, and one detailed address-matching schedule to supplement two of the portfolio and loan-level schedules.

The data collected through the FR Y-14A/Q/M reports provide the Board with the information needed to help ensure that large firms have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The reports are used to support the Board's annual CCAR and Dodd-Frank Act Stress Test

³⁷ In certain circumstances, a BHC, IHC, or SLHC may be required to re-submit its capital plan. See 12 CFR 225.8(e)(4); 12 CFR 238.170(e)(4). Firms that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

(DFAST) exercises, which complement other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms' planning and management of liquidity and funding resources, as well as regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in this data collection is also used in the supervision and regulation of respondent financial institutions. Respondent firms are currently required to complete and submit up to 17 filings each year: one annual FR Y-14A filing, four quarterly FR Y-14Q filings, and 12 monthly FR Y-14M filings. Compliance with the information collection is mandatory.

Current Actions: As previously described in this notice, the Board proposed to make several FR Y-14A/Q/M revisions. Certain revisions would only be applicable to firms subject to Category IV or Category I – III standards, while other revisions would be applicable to all BHCs, IHCs, and SLHCs. The Board has adopted all revisions as proposed, except that some revisions are effective for the December 31, 2020, as of date, and some are effective for the December 31, 2021, as of date.

Firms subject to Category IV standards

As a result of the adopted changes to company-run stress testing requirements, the Board has no longer required that firms subject to Category IV standards report FR Y-14A Schedule A – Summary, Schedule B – Scenario, Schedule F – Business Plan Changes, and Appendix A – Supporting Documentation, which are used to report a firm's company-run stress test results. Firms subject to Category IV standards are no longer required to submit these schedules beginning with the December 31, 2020, as of date. However, firms subject to Category IV standards are still required to complete all remaining FR Y-14A schedules, as they are necessary for the Board to run its supervisory stress test. The Board believes that the detailed balance sheet information collected on a monthly and quarterly basis from firms subject to Category IV standards on the FR Y-14Q and FR Y-14M is crucial for maintaining the integrity of the stress tests, monitoring financial stability, and supervising those firms.

Firms subject to Category I-III standards

As previously outlined, firms subject to Category I – III standards are still required to report FR Y-14A, Schedule A – Summary. To conform the FR Y-14 reports with the stress test assumption changes made per the stress capital buffer rule, the Board has created two sub-schedules for all items on the FR Y-14A, Schedule A, effective for the December 31, 2020, as of date: (1) DFAST, where a firm would not incorporate the effects of material business plan changes and (2) CCAR, where a firm would incorporate the effects of business plan changes. Specifically, firms subject to Category I – III standards are required to report a version of FR Y-14A, Schedule A.1.a – Income Statement, Schedule A.1.b – Balance Sheet, Schedule A.1.c.1 – Standardized RWA, Schedule A.1.d – Capital, Schedule A.2.a – Retail Balance and Loss, Schedule A.3 – AFS/HTM Securities, Schedule A.4 – Trading, Schedule A.5 – Counterparty Credit Risk, Schedule A.6 – Operational Risk, and Loss Projections, and Schedule A.7 – Pre-Provision Net Revenue, that incorporates the effects of business plan changes, as well as a version of these schedules and items that does not incorporate the effects of material business plan changes. For Schedule A.1.d, firms subject to Category I – III standards are still required to report two sub-schedules with different capital actions, along with the income and balance sheet information reported in the appropriate sub-schedule. In addition, effective for the December 31, 2020, as of date, firms subject to Category I – III standards are only required to report FR Y-14A, Schedule F under the Internal baseline and supervisory severely adverse scenarios.

All BHCs and IHCs

All BHCs and IHCs are still required to report FR Y-14A, Schedule C – Regulatory Capital Instruments, and the stress test assumption changes made per the stress capital buffer rule create a need for firms to provide certain data excluding the impact of material business plan changes. As a result, the Board has created two sub-schedules for all items on the FR Y-14A, Schedule C: (1) SCB, where a firm does not incorporate the effects of material business plan changes and (2) CCAR, where a firm does incorporate the effects of business plan changes.

Specifically, all BHCs and IHCs are required to report a version of FR Y-14A, Schedule C that incorporates the effects of material business plan changes, as well as a version of this schedule and items that does not incorporate these effects. These revisions are effective for the December 31, 2020, as of date.

In order to be able to assess whether a firm's planned capital distributions included in its capital plan are consistent with any effective capital distribution limitations that would apply under the firm's baseline projections, as required by the capital plan rule, the Board has added four items to FR Y-14A, Schedule C. These items capture baseline projections of a firm's common equity tier 1 capital ratio, tier 1 capital ratio, total capital ratio, and net income. These revisions are effective for the December 31, 2020, as of date.

SLHCs

In order to assess compliance with the stress testing and capital plan rules, the Board has required SLHCs subject to Category II, or III standards to submit FR Y-14A, Schedule B – Scenario, and has required SLHCs subject to Category II, III, or IV standards to submit FR Y-14A, Schedule C – Regulatory Capital Instruments. These revisions align with the spirit of the tailoring rule, as it would require all firms subject to applicable Category standards to largely submit the same FR Y-14A information. These revisions are effective for the December 31, 2021, as of date.

Other revisions

As previously mentioned, the Board has replaced the current definition of “large and noncomplex bank holding company” in the capital plan rule with the definition of a firm subject to Category IV standards. Therefore, the Board has made this change across the FR Y-14A/Q/M reports. In addition, to more accurately reflect the types of firms subject to the stress test reporting requirements, the Board has renamed the “BHC baseline scenario” and “BHC stress

scenario” to “Internal baseline scenario” and “Internal stress scenario,” respectively. These revisions are effective for the December 31, 2020, as of date.

(2) *Report title:* Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation LL.

Agency form number: FR LL.

OMB control number: 7100-0380.

Frequency: Biennial, annual.

Affected Public: Businesses or other for-profit.

Respondents: Savings and loan holding companies.

Estimated number of respondents: 1.

Estimated average hours per response:

Reporting

Section 238.132(c)(2)(ii) – 0.25,

Section 238.162(b)(1)(ii) – 80,

Section 238.170(e)(1)(ii) – 80,

Section 238.170(e)(3) – 1,005,

Section 238.170(e)(4) – 100,

Section 238.170(h)(2)(ii)(B) – 2,

Section 238.170(i) – 16,

Section 238.170(j)(1) and (2) – 100,

Section 238.170(j)(4) – 16,

Recordkeeping

Section 238.170(e)(1)(i) – 8,920,

Section 238.170(e)(1)(iii) – 100,

Disclosure

Section 238.146 (initial setup) – 150,

Section 238.146 – 60.

Estimated annual burden hours:

Reporting

Section 238.132(c)(2)(ii) – 0,

Section 238.162(b)(1)(ii) – 40,

Section 238.170(e)(1)(ii) – 80,

Section 238.170(e)(3) – 1,005,

Section 238.170(e)(4) – 100,

Section 238.170(h)(2)(ii)(B) – 2,

Section 238.170(i) – 16,

Section 238.170(j)(1) and (2) – 100,

Section 238.170(j)(4) – 16,

Recordkeeping

Section 238.170(e)(1)(i) – 8,920,

Section 238.170(e)(1)(iii) – 100,

Disclosure

Section 238.146 (initial setup) – 75,

Section 238.146 – 30.

Legal authorization and confidentiality: This information collection is authorized by section 10 of the Home Owners' Loan Act (HOLA) and section 165(i)(2) of the Dodd-Frank Act. The obligation of covered institutions to report this information is mandatory. This information would be disclosed publicly and, as a result, no issue of confidentiality is raised.

Current Actions: The final rule includes amendments to § 238.146 of Regulation LL meant to ensure that certain savings and loan holding companies are required to publicly disclose their stress tests results. Under the final rule, a covered savings and loan holding company that is subject to a supervisory stress test under § 238.132 of Regulation LL is required to publicly disclose a summary of the results of the stress test required under § 238.143 of Regulation LL

within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to § 238.134 of Regulation LL, unless that time is extended by the Board in writing, while a covered savings and loan holding company that is not subject to a supervisory stress test under § 238.132 of Regulation LL is required to publicly disclose a summary of the results of the stress test required under § 238.143 of Regulation LL in the period beginning on June 15 and ending on June 30 in the year in which the stress test is conducted, unless that time is extended by the Board in writing.

Additionally, the final rule applies capital planning and stress capital buffer requirements to covered savings and loan holding companies subject to Category II, III, or IV standards. These savings and loan holding companies will be required to submit capital plans to the Board on an annual basis, and to request prior approval from the Board under certain circumstances before making a capital distribution.

The Board also has revised Regulation LL to permit a savings and loan holding company subject to Category IV standards to elect to participate in the supervisory stress test in a year in which the firm would not normally be subject to the supervisory stress test. To ensure the Board is provided sufficient notice that the firm is participating in the supervisory stress test, the firm would need to make its election by January 15 of the year in which it seeks to opt in to the supervisory stress test by providing written notice to the Board and appropriate Federal Reserve Bank.

(3) *Report title:* Reporting, Recordkeeping, and Disclosure Requirements Associated with Regulation YY (Enhanced Prudential Standards).

Agency Form Number: FR YY.

OMB Control Number: 7100-0350.

Frequency: Annual, semiannual, quarterly.

Affected Public: Businesses or other for-profit.

Respondents: State member banks, U.S. bank holding companies, nonbank financial companies, foreign banking organizations, U.S. intermediate holding companies, foreign saving and loan holding companies, and foreign nonbank financial companies supervised by the Board.

Estimated number of respondents: 23 U.S. bank holding companies with total consolidated assets of \$100 billion or more, 4 U.S. bank holding companies with total consolidated assets of \$50 billion or more but less than \$100 billion, 1 state member bank with total consolidated assets over \$250 billion, 11 U.S. intermediate holding companies with \$100 billion or more in total assets, 23 foreign banking organizations with total consolidated assets of more than \$50 billion but less than \$100 billion; 23 foreign banking organizations with total consolidated assets of \$100 billion or more but combined U.S. operations of at least \$50 billion but less than \$100 billion; 17 foreign banking organizations with total consolidated assets of \$100 billion or more and combined U.S. operations of \$100 billion or more.

Estimated annual burden hours: 27,752 hours.

General description of report: Section 165 of the Dodd-Frank Act, as amended by EGRRCPA, requires the Board to implement enhanced prudential standards for bank holding companies and foreign banking organizations with total consolidated assets of \$250 billion or more, and provides the Board with discretion to apply enhanced prudential standards to certain bank holding companies and foreign banking organizations with \$100 billion or more, but less than \$250 billion, in total consolidated assets. The enhanced prudential standards include risk-based and leverage capital requirements, liquidity standards, requirements for overall risk management (including establishing a risk committee), stress test requirements, and debt-to-equity limits for companies that the Financial Stability Oversight Council has determined pose a grave threat to financial stability.

Current Actions: As described above, the Board has amended Regulation YY to allow a firm subject to Category IV standards to elect to participate in the supervisory stress test in a year in which the firm would not normally be subject to the supervisory stress test. To ensure the Board

is provided sufficient notice that the firm is participating in the supervisory stress test, the firm would need to make its election by January 15 of the year in which it seeks to opt in to the supervisory stress test by providing written notice to the Board and appropriate Federal Reserve Bank. For purposes of calculating the stress capital buffer requirement in 2021 for a firm subject to Category IV standards that elects to participate in the 2021 supervisory stress test, the final rule includes transitional procedures such that the firm could notify the Board by April 5, 2021.

B. Regulatory Flexibility Act

The Regulatory Flexibility Act (RFA) generally requires that, in connection with a final rulemaking, an agency prepare and make available for public comment a final regulatory flexibility analysis describing the impact of the proposed rule on small entities.³⁸ However, a final regulatory flexibility analysis is not required if the agency certifies that the final rule will not have a significant economic impact on a substantial number of small entities. The Small Business Administration (SBA) has defined “small entities” to include banking organizations with total assets of less than or equal to \$600 million that are independently owned and operated or owned by a holding company with less than or equal to \$600 million in total assets.³⁹ For the reasons described below and under section 605(b) of the RFA, the Board certifies that the final rule will not have a significant economic impact on a substantial number of small entities. As of December 31, 2019, there were 2,799 bank holding companies, 171 savings and loan holding companies, and 497 state member banks that would fit the SBA's current definition of “small entity” for purposes of the RFA.

In connection with the proposed rule, the Board stated that it did not believe the proposed rule would have a significant economic impact on a substantial number of small entities.

³⁸ 5 U.S.C. 601 *et. seq.*

³⁹ See 13 CFR 121.201. Effective August 19, 2019, the SBA revised the size standards for certain banking organizations to \$600 million in assets from \$550 million in assets. See 84 FR 34261 (July 18, 2019). Consistent with the General Principles of Affiliation in 13 CFR 121.103, the Board counts the assets of all domestic and foreign affiliates when determining if the Board should classify a Board-supervised institution as a small entity.

Nevertheless, the Board published and invited comment on an initial regulatory flexibility analysis of the proposed rule. No comments were received on the initial regulatory flexibility analysis.

The Board is finalizing amendments to Regulations Q,⁴⁰ Y,⁴¹ LL,⁴² and YY⁴³ that would affect the regulatory requirements that apply to bank holding companies, intermediate holding companies and covered savings and loan holding companies with total consolidated assets of at least \$100 billion in total consolidated assets and any nonbank financial company supervised by the Board that becomes subject to the capital planning requirements pursuant to a rule or order of the Board. The reasons and justification for the final rule are described above in more detail in this SUPPLEMENTARY INFORMATION.

The Board has considered whether to conduct a final regulatory flexibility analysis in connection with this final rule. However, the assets of institutions subject to this final rule substantially exceed the \$600 million asset threshold under which a banking organization is considered a “small entity” under SBA regulations. Because the final rule is not likely to apply to any depository institution or company with assets of \$600 million or less, it is not expected to apply to any small entity for purposes of the RFA. The Board does not believe that the final rule duplicates, overlaps, or conflicts with any other Federal rules. In light of the foregoing, the Board certifies that the final rule will not have a significant economic impact on a substantial number of small entities supervised.

C. Solicitation of Comments of Use of Plain Language

Section 722 of the Gramm-Leach-Bliley Act (Pub. L. No. 106-102, 113 Stat. 1338, 1471, 12 U.S.C. 4809) requires the federal banking agencies to use plain language in all proposed and

⁴⁰ 12 CFR part 217.

⁴¹ 12 CFR part 225.

⁴² 12 CFR part 238.

⁴³ 12 CFR part 252.

final rules published after January 1, 2000. The Board has sought to present the final rule in a simple and straightforward manner and did not receive any comments on the use of plain language.

List of Subjects

12 CFR Part 217

Administrative practice and procedure, Banks, Banking, Capital, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Risk, Securities.

12 CFR Part 225

Administrative practice and procedure, Banks, Banking, Capital planning, Holding companies, Reporting and recordkeeping requirements, Securities, Stress testing.

12 CFR Part 238

Administrative practice and procedure, Banks, Banking, Federal Reserve System, Reporting and recordkeeping requirements, Securities.

12 CFR Part 252

Administrative practice and procedure, Banks, Banking, Capital planning, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities, Stress testing.

Authority and Issuance

For the reasons stated in the Supplementary Information, chapter II of title 12 of the Code of Federal Regulations is amended as follows:

PART 217—CAPITAL ADEQUACY OF BANK HOLDING COMPANIES, SAVINGS AND LOAN HOLDING COMPANIES, AND STATE MEMBER BANKS (REGULATION Q)

1. The authority citation for part 217 continues to read as follows:

Authority: 12 U.S.C. 248(a), 321-338a, 481-486, 1462a, 1467a, 1818, 1828, 1831n, 1831o, 1831p-1, 1831w, 1835, 1844(b), 1851, 3904, 3906-3909, 4808, 5365, 5368, 5371, 5371 note, and sec. 4012, Pub. L. 116-136, 134 Stat. 281.

Subpart B – Capital Ratio Requirements and Buffer

2. Amend § 217.11 by:

- a. Revising paragraphs (a)(2)(iii) and (vi) and paragraphs (a)(3)(i) introductory text and (a)(4);
- b. Revising the paragraph (c) subject heading and paragraphs (c)(1)(i) and (ii), (c)(1)(iii) introductory text, and (c)(1)(iv) introductory text, (c)(1)(v) introductory text, and (c)(vi) introductory text; and
- c. Correctly designating the second occurrence of paragraph (c)(1)(v) as paragraph (c)(1)(vii); and
- d. Revising paragraph (c)(2).

The revisions read as follows:

§217.11 Capital conservation buffer, countercyclical capital buffer amount, and GSIB surcharge.

(a) * * *

(2) ***

(iii) *Maximum payout ratio.* The maximum payout ratio is the percentage of eligible retained income that a Board-regulated institution can pay out in the form of distributions and discretionary bonus payments during the current calendar quarter. For a Board-regulated institution that is not subject to 12 CFR 225.8 or 238.170, the maximum payout ratio is determined by the Board-regulated institution's capital conservation buffer, calculated as of the last day of the previous calendar quarter, as set forth in Table 1 to paragraph (a)(4)(iv) of this

section. For a Board-regulated institution that is subject to 12 CFR 225.8 or 238.170, the maximum payout ratio is determined under paragraph (c)(1)(ii) of this section.

* * * * *

(vi) *Stress capital buffer requirement.* (A) The stress capital buffer requirement for a Board-regulated institution subject to 12 CFR 225.8 or 238.170 is the stress capital buffer requirement determined under 12 CFR 225.8 or 238.170 except as provided in paragraph (a)(2)(vi)(B) of this section.

(B) If a Board-regulated institution subject to 12 CFR 225.8 or 238.170 has not yet received a stress capital buffer requirement, its stress capital buffer requirement for purposes of this part is 2.5 percent.

(3) * * *

(i) A Board-regulated institution that is not subject to 12 CFR 225.8 or 238.170 has a capital conservation buffer equal to the lowest of the following ratios, calculated as of the last day of the previous calendar quarter:

* * * * *

(4) *Limits on distributions and discretionary bonus payments.* (i) A Board-regulated institution that is not subject 12 CFR 225.8 or 238.170 shall not make distributions or discretionary bonus payments or create an obligation to make such distributions or payments during the current calendar quarter that, in the aggregate, exceed its maximum payout amount.

(ii) A Board-regulated institution that is not subject 12 CFR 225.8 or 238.170 and that has a capital conservation buffer that is greater than 2.5 percent plus 100 percent of its applicable

countercyclical capital buffer amount in accordance with paragraph (b) of this section is not subject to a maximum payout amount under paragraph (a)(2)(ii) of this section.

(iii) Except as provided in paragraph (a)(4)(iv) of this section, a Board-regulated institution that is not subject to 12 CFR 225.8 or 238.170 may not make distributions or discretionary bonus payments during the current calendar quarter if the Board-regulated institution's:

(A) Eligible retained income is negative; and

(B) Capital conservation buffer was less than 2.5 percent as of the end of the previous calendar quarter.

(iv) Prior approval—notwithstanding the limitations in paragraphs (a)(4)(i) through (iii) of this section, the Board may permit a Board-regulated institution that is not subject to 12 CFR 225.8 or 238.170 to make a distribution or discretionary bonus payment upon a request of the Board-regulated institution, if the Board determines that the distribution or discretionary bonus payment would not be contrary to the purposes of this section, or to the safety and soundness of the Board-regulated institution. In making such a determination, the Board will consider the nature and extent of the request and the particular circumstances giving rise to the request.

TABLE 1 TO §217.11(a)(4)(iv)—CALCULATION OF MAXIMUM PAYOUT AMOUNT

Capital conservation buffer	Maximum payout ratio
Greater than 2.5 percent plus 100 percent of the Board-regulated institution's applicable countercyclical capital buffer amount	No payout ratio limitation applies.
Less than or equal to 2.5 percent plus 100 percent of the Board-regulated institution's applicable countercyclical capital buffer amount, <i>and</i> greater than 1.875 percent plus 75 percent of the Board-regulated institution's applicable countercyclical capital buffer amount	60 percent.
Less than or equal to 1.875 percent plus 75 percent of the Board-regulated institution's applicable countercyclical capital buffer amount, <i>and</i> greater than 1.25 percent plus 50	40 percent.

percent of the Board-regulated institution's applicable countercyclical capital buffer amount	
Less than or equal to 1.25 percent plus 50 percent of the Board-regulated institution's applicable countercyclical capital buffer amount <i>and</i> greater than 0.625 percent plus 25 percent of the Board-regulated institution's applicable countercyclical capital buffer amount	20 percent.
Less than or equal to 0.625 percent plus 25 percent of the Board-regulated institution's applicable countercyclical capital buffer amount	0 percent.

(v) *Other limitations on distributions.* Additional limitations on distributions may apply under 12 CFR 225.4 and 263.202 to a Board-regulated institution that is not subject to 12 CFR 225.8 or 238.170.

* * * *

(c) *Calculation of buffers for Board-regulated institutions subject to 12 CFR 225.8 or 238.170—*

(1) * * *

(i) A Board-regulated institution that is subject to 12 CFR 225.8 or 238.170 shall not make distributions or discretionary bonus payments or create an obligation to make such distributions or payments during the current calendar quarter that, in the aggregate, exceed its maximum payout amount.

(ii) *Maximum payout ratio.* The maximum payout ratio of a Board-regulated institution that is subject to 12 CFR 225.8 or 238.170 is the lowest of the payout ratios determined by its standardized approach capital conservation buffer; if applicable, advanced approaches capital conservation buffer; and, if applicable, leverage buffer; as set forth in table 2 to § 217.11(c)(4)(iii).

(iii) *Capital conservation buffer requirements.* A Board-regulated institution that is subject to 12 CFR 225.8 or 238.170 has:

* * * * *

(iv) *No maximum payout amount limitation.* A Board-regulated institution that is subject to 12 CFR 225.8 or 238.170 is not subject to a maximum payout amount under paragraph (a)(2)(ii) of this section if it has:

* * * * *

(v) *Negative eligible retained income.* Except as provided in paragraph (c)(1)(vi) of this section, a Board-regulated institution that is subject to 12 CFR 225.8 or 238.170 may not make distributions or discretionary bonus payments during the current calendar quarter if, as of the end of the previous calendar quarter, the Board-regulated institution's:

* * * * *

(vi) *Prior approval.* Notwithstanding the limitations in paragraphs (c)(1)(i) through (v) of this section, the Board may permit a Board-regulated institution that is subject to 12 CFR 225.8 or 238.170 to make a distribution or discretionary bonus payment upon a request of the Board-regulated institution, if the Board determines that the distribution or discretionary bonus payment would not be contrary to the purposes of this section, or to the safety and soundness of the Board-regulated institution. In making such a determination, the Board will consider the nature and extent of the request and the particular circumstances giving rise to the request.

(vii) *Other limitations on distributions.* Additional limitations on distributions may apply under 12 CFR 225.4, 225.8, 238.170, 252.63, 252.165, and 263.202 to a Board-regulated institution that is subject to 12 CFR 225.8 or 238.170.

(2) *Standardized approach capital conservation buffer.* (i) The standardized approach capital conservation buffer for Board-regulated institutions subject to 12 CFR 225.8 or 238.170 is composed solely of common equity tier 1 capital.

(ii) A Board-regulated institution that is subject to 12 CFR 225.8 or 238.170 has a standardized approach capital conservation buffer that is equal to the lowest of the following ratios, calculated as of the last day of the previous calendar quarter:

* * * * *

**PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL
(REGULATION Y)**

3. The authority citation for part 225 continues to read as follows:

Authority: 12 U.S.C. 1817(j)(13), 1818, 1828(o), 1831i, 1831p-1, 1843(c)(8), 1844(b), 1972(1), 3106, 3108, 3310, 3331-3351, 3906, 3907, and 3909; 15 U.S.C. 1681s, 1681w, 6801 and 6805.

D. Subpart A—General Provisions

4. Amend § 225.8 by:

- a. Revising paragraphs (c)(1) and (2) and (d)(3) through (21);
- b. Removing paragraph (d)(22),
- c. Revising paragraphs (e)(2)(i)(A) and (e)(4)(i)(B)(3);
- d. Removing paragraph (e)(4)(i)(B)(4);
- e. Revising paragraphs (e)(4)(ii) and (iii);
- f. Removing paragraph (e)(4)(iv);
- g. Revising paragraph (f)(1);
- h. Adding paragraph (f)(4);
- i. Revising paragraphs (h)(2) through (5), (i), (j), and (k); and
- j. Removing paragraph (l).

The revisions and additions read as follows:

§225.8 Capital planning and stress capital buffer requirement.

* * * * *

(c) * * *

(1) A bank holding company that meets the \$100 billion asset threshold (as measured under paragraph (b) of this section) on or before September 30 of a calendar year must comply with the requirements of this section beginning on January 1 of the next calendar year, unless that time is extended by the Board in writing. Notwithstanding the previous sentence, the Board will not provide a bank holding company with notice of its stress capital buffer requirement until the first year in which the Board conducts an analysis of the bank holding company pursuant to 12 CFR 252.44.

(2) A bank holding company that meets the \$100 billion asset threshold after September 30 of a calendar year must comply with the requirements of this section beginning on January 1 of the second calendar year after the bank holding company meets the \$100 billion asset threshold, unless that time is extended by the Board in writing. Notwithstanding the previous sentence, the Board will not provide a bank holding company with notice of its stress capital buffer requirement until the first year in which the Board conducts an analysis of the bank holding company pursuant to 12 CFR 252.44.

* * * * *

(d) * * *

(3) *Capital action* means any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the Federal Reserve determines could impact a bank holding company's consolidated capital.

(4) *Capital distribution* means a redemption or repurchase of any debt or equity capital instrument, a payment of common or preferred stock dividends, a payment that may be temporarily or permanently suspended by the issuer on any instrument that is eligible for inclusion in the numerator of any minimum regulatory capital ratio, and any similar transaction that the Federal Reserve determines to be in substance a distribution of capital.

(5) *Capital plan* means a written presentation of a bank holding company's capital planning strategies and capital adequacy process that includes the mandatory elements set forth in paragraph (e)(2) of this section.

(6) *Capital plan cycle* means the period beginning on January 1 of a calendar year and ending on December 31 of that year.

(7) *Capital policy* means a bank holding company's written principles and guidelines used for capital planning, capital issuance, capital usage and distributions, including internal capital goals; the quantitative or qualitative guidelines for capital distributions; the strategies for addressing potential capital shortfalls; and the internal governance procedures around capital policy principles and guidelines.

(8) *Category IV bank holding company* means any bank holding company or U.S. intermediate holding company subject to this section that, as of December 31 of the prior capital plan cycle, is a Category IV banking organization pursuant to 12 CFR 252.5.

(9) *Common equity tier 1 capital* has the same meaning as under 12 CFR part 217.

(10) *Effective capital distribution limitations* means any limitations on capital distributions established by the Board by order or regulation, including pursuant to 12 CFR 217.11, 225.4, 252.63, 252.165, and 263.202, provided that, for any limitations based on risk-weighted assets, such limitations must be calculated using the standardized approach, as set forth in 12 CFR part 217, subpart D.

(11) *Final planned capital distributions* means the planned capital distributions included in a capital plan that include the adjustments made pursuant to paragraph (h) of this section, if any.

(12) *GSIB surcharge* has the same meaning as under 12 CFR 217.403.

(13) *Internal baseline scenario* means a scenario that reflects the bank holding company's expectation of the economic and financial outlook, including expectations related to the bank holding company's capital adequacy and financial condition.

(14) *Internal stress scenario* means a scenario designed by a bank holding company that stresses the specific vulnerabilities of the bank holding company's risk profile and operations, including those related to the bank holding company's capital adequacy and financial condition.

(15) *Nonbank financial company supervised by the Board* means a company that the Financial Stability Oversight Council has determined under section 113 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5323) shall be supervised by the Board and for which such determination is still in effect.

(16) *Planning horizon* means the period of at least nine consecutive quarters, beginning with the quarter preceding the quarter in which the bank holding company submits its capital plan, over which the relevant projections extend.

(17) *Regulatory capital ratio* means a capital ratio for which the Board has established minimum requirements for the bank holding company by regulation or order, including, as applicable, the bank holding company's regulatory capital ratios calculated under 12 CFR part 217 and the deductions required under 12 CFR 248.12; except that the bank holding company shall not use the advanced approaches to calculate its regulatory capital ratios.

(18) *Severely adverse scenario* has the same meaning as under 12 CFR part 252, subpart E.

(19) *Stress capital buffer requirement* means the amount calculated under paragraph (f) of this section.

(20) *Supervisory stress test* means a stress test conducted using a severely adverse scenario and the assumptions contained in 12 CFR part 252, subpart E.

(21) *U.S. intermediate holding company* means the top-tier U.S. company that is required to be established pursuant to 12 CFR 252.153.

(e) * * *

(2) * * *

(i) * * *

(A) Estimates of projected revenues, losses, reserves, and pro forma capital levels, including regulatory capital ratios, and any additional capital measures deemed relevant by the bank holding company, over the planning horizon under a range of scenarios, including:

(1) If the bank holding company is a Category IV bank holding company, the Internal baseline scenario and at least one Internal stress scenario, as well as any additional scenarios, based on financial conditions or the macroeconomic outlook, or based on the bank holding company's financial condition, size, complexity, risk profile, or activities, or risks to the U.S. economy, that the Federal Reserve may provide the bank holding company after giving notice to the bank holding company; or

(2) If the bank holding company is not a Category IV bank holding company, any scenarios provided by the Federal Reserve, the Internal baseline scenario, and at least one Internal stress scenario;

* * * * *

(4) * * *

(i) * * *

(B) * * *

(3) The Internal stress scenario(s) are not appropriate for the bank holding company's business model and portfolios, or changes in financial markets or the macro-economic outlook that could have a material impact on a bank holding company's risk profile and financial condition require the use of updated scenarios; or

* * * * *

(ii) The Board, or the appropriate Reserve Bank with concurrence of the Board, may extend the 30-day period in paragraph (e)(4)(i) of this section for up to an additional 60 calendar days, or such longer period as the Board or the appropriate Reserve Bank, with concurrence of the Board, determines appropriate.

(iii) Any updated capital plan must satisfy all the requirements of this section; however, a bank holding company may continue to rely on information submitted as part of a previously submitted capital plan to the extent that the information remains accurate and appropriate.

* * * * *

(f) * * *

(1) *General.* The Board will determine the stress capital buffer requirement that applies under 12 CFR 217.11 pursuant to this paragraph (f). For each bank holding company that is not a Category IV bank holding company, the Board will calculate the bank holding company's stress capital buffer requirement annually. For each Category IV bank holding company, the Board will calculate the bank holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an even number, and will adjust the bank holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an odd number. Notwithstanding the previous sentence, the Board will calculate the stress capital buffer requirement of a Category IV bank holding company in a year ending in an odd number with respect to which that company makes an election pursuant to 12 CFR 252.44(d)(2)(ii).

* * * * *

(4) *Adjustment of stress capital buffer requirement.* In each calendar year in which the Board does not calculate a Category IV bank holding company's stress capital buffer requirement pursuant to paragraph (f)(1) of this section, the Board will adjust the Category IV bank holding company's stress capital buffer requirement to be equal to the result of the calculation set forth in paragraph (f)(2) of this section, using the same values that were used to calculate the stress capital buffer requirement most recently provided to the bank holding company, except that the value used in paragraph (f)(2)(i)(C)(I) of this section will be equal to the bank holding company's planned common stock dividends (expressed as a dollar amount) for each of the fourth through seventh quarters of the planning horizon as set forth in the capital plan

submitted by the bank holding company in the calendar year in which the Board adjusts the bank holding company's stress capital buffer requirement.

(h) * * *

(2) *Response to notice*—(i) *Request for reconsideration of stress capital buffer requirement.* A bank holding company may request reconsideration of a stress capital buffer requirement provided under paragraph (h)(1) of this section. To request reconsideration of a stress capital buffer requirement, a bank holding company must submit to the Board a request pursuant to paragraph (i) of this section.

(ii) *Adjustments to planned capital distributions.* Within two business days of receipt of notice of a stress capital buffer requirement under paragraph (h)(1) or (i)(5) of this section, as applicable, a bank holding company must:

(A) Determine whether the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect; and

(1) If the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario would not be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect, the bank holding company must adjust its planned capital distributions such that its planned capital distributions would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect; or

(2) If the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect, the bank holding company may adjust its planned capital distributions. A bank holding company may not adjust its planned capital distributions to be inconsistent with the effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable; and

(B) Notify the Board of any adjustments made to planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario.

(3) *Final planned capital distributions.* The Board will consider the planned capital distributions, including any adjustments made pursuant to paragraph (h)(2)(ii) of this section, to be the bank holding company's final planned capital distributions on the later of:

(i) The expiration of the time for requesting reconsideration under paragraph (i) of this section; and

(ii) The expiration of the time for adjusting planned capital distributions pursuant to paragraph (h)(2)(ii) of this section.

(4) *Effective date of final stress capital buffer requirement.* (i) The Board will provide a bank holding company with its final stress capital buffer requirement and confirmation of the bank holding company's final planned capital distributions by August 31 of the calendar year that a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section, unless otherwise determined by the Board. A stress capital buffer requirement will not be considered final so as to be agency action subject to judicial review under 5 U.S.C. 704 during the pendency of a request for reconsideration made pursuant to paragraph (i) of this section or before the time for requesting reconsideration has expired.

(ii) Unless otherwise determined by the Board, a bank holding company's final planned capital distributions and final stress capital buffer requirement shall:

(A) Be effective on October 1 of the calendar year in which a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section; and

(B) Remain in effect until superseded.

(5) *Publication.* With respect to any bank holding company subject to this section, the Board may disclose publicly any or all of the following:

(i) The stress capital buffer requirement provided to a bank holding company under paragraph (h)(1) or (i)(5) of this section;

(ii) Adjustments made pursuant to paragraph (h)(2)(ii);

(iii) A summary of the results of the supervisory stress test; and

(iv) Other information.

(i) *Administrative remedies; request for reconsideration.* The following requirements and procedures apply to any request under this paragraph (i):

(1) *General.* To request reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, a bank holding company must submit a written request for reconsideration.

(2) *Timing of request.* A request for reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, must be received within 15 calendar days of receipt of a notice of a bank holding company's stress capital buffer requirement.

(3) *Contents of request.* (i) A request for reconsideration must include a detailed explanation of why reconsideration should be granted (that is, why a stress capital buffer requirement should be reconsidered). With respect to any information that was not previously provided to the Federal Reserve in the bank holding company's capital plan, the request should include an explanation of why the information should be considered.

(ii) A request for reconsideration may include a request for an informal hearing on the bank holding company's request for reconsideration.

(4) *Hearing.* (i) The Board may, in its sole discretion, order an informal hearing if the Board finds that a hearing is appropriate or necessary to resolve disputes regarding material issues of fact.

(ii) An informal hearing shall be held within 30 calendar days of a request, if granted, provided that the Board may extend this period upon notice to the requesting party.

(5) *Response to request.* Within 30 calendar days of receipt of the bank holding company's request for reconsideration of its stress capital buffer requirement submitted under paragraph (i)(2) of this section or within 30 days of the conclusion of an informal hearing conducted under paragraph (i)(4) of this section, the Board will notify the company of its decision to affirm or modify the bank holding company's stress capital buffer requirement, provided that the Board may extend this period upon notice to the bank holding company.

(6) *Distributions during the pendency of a request for reconsideration.* During the pendency of the Board's decision under paragraph (i)(5) of this section, the bank holding company may make capital distributions that are consistent with effective distribution limitations, unless prior approval is required under paragraph (j)(1) of this section.

(j) *Approval requirements for certain capital actions—(1) Circumstances requiring approval—Resubmission of a capital plan.* Unless it receives prior approval pursuant to paragraph (j)(3) of this section, a bank holding company may not make a capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio) if the capital distribution would occur after the occurrence of an event requiring resubmission under paragraph (e)(4)(i)(A) or (B) of this section.

(2) *Contents of request.* A request for a capital distribution under this section must contain the following information:

(i) The bank holding company's capital plan or a discussion of changes to the bank holding company's capital plan since it was last submitted to the Federal Reserve;

(ii) The purpose of the transaction;

(iii) A description of the capital distribution, including for redemptions or repurchases of securities, the gross consideration to be paid and the terms and sources of funding for the transaction, and for dividends, the amount of the dividend(s); and

(iv) Any additional information requested by the Board or the appropriate Reserve Bank (which may include, among other things, an assessment of the bank holding company's capital adequacy under a severely adverse scenario, a revised capital plan, and supporting data).

(3) *Approval of certain capital distributions.* (i) The Board, or the appropriate Reserve Bank with concurrence of the Board, will act on a request for prior approval of a capital distribution within 30 calendar days after the receipt of all the information required under paragraph (j)(2) of this section.

(ii) In acting on a request for prior approval of a capital distribution, the Board, or appropriate Reserve Bank with concurrence of the Board, will apply the considerations and principles in paragraph (g) of this section, as appropriate. In addition, the Board, or the appropriate Reserve Bank with concurrence of the Board, may disapprove the transaction if the bank holding company does not provide all of the information required to be submitted under paragraph (j)(2) of this section.

(4) *Disapproval and hearing.* (i) The Board, or the appropriate Reserve Bank with concurrence of the Board, will notify the bank holding company in writing of the reasons for a decision to disapprove any proposed capital distribution. Within 15 calendar days after receipt of a disapproval by the Board, the bank holding company may submit a written request for a hearing.

(ii) The Board may, in its sole discretion, order an informal hearing if the Board finds that a hearing is appropriate or necessary to resolve disputes regarding material issues of fact. An

informal hearing shall be held within 30 calendar days of a request, if granted, provided that the Board may extend this period upon notice to the requesting party.

(iii) Written notice of the final decision of the Board shall be given to the bank holding company within 60 calendar days of the conclusion of any informal hearing ordered by the Board, provided that the Board may extend this period upon notice to the requesting party.

(iv) While the Board's decision is pending and until such time as the Board, or the appropriate Reserve Bank with concurrence of the Board, approves the capital distribution at issue, the bank holding company may not make such capital distribution.

(k) *Post notice requirement.* A bank holding company must notify the Board and the appropriate Reserve Bank within 15 days of making a capital distribution if:

- (1) The capital distribution was approved pursuant to paragraph (j)(3) of this section; or
- (2) The dollar amount of the capital distribution will exceed the dollar amount of the bank holding company's final planned capital distributions, as measured on an aggregate basis beginning in the fourth quarter of the planning horizon through the quarter at issue.

PART 238—SAVINGS AND LOAN HOLDING COMPANIES (REGULATION LL)

5. The authority citation for part 238 continues to read as follows:

Authority: 5 U.S.C. 552, 559; 12 U.S.C. 1462, 1462a, 1463, 1464, 1467, 1467a, 1468, 5365; 1813, 1817, 1829e, 1831i, 1972, 15 U.S.C. 78l.

Subpart O—Supervisory Stress Test Requirements for Covered Savings and Loan Holding Companies

6. Amend § 238.132 by adding paragraph (a)(4), revising paragraph (c)(2), and adding paragraph (d) to read as follows:

§ 238.132 Analysis conducted by the Board.

(a) * * *

(4) In conducting the analysis, the Board will not incorporate changes to a firm's business plan that are likely to have a material impact on the covered company's capital adequacy and funding profile in its projections of losses, net income, pro forma capital levels, and capital ratios.

* * * * *

(c) * * *

(2) *Change in frequency.* (i) The Board may conduct a stress test of a covered company on a more or less frequent basis than would be required under paragraph (c)(1) of this section based on the company's financial condition, size, complexity, risk profile, scope of operations, or activities, or risks to the U.S. economy.

(ii) A Category IV savings and loan holding company may elect to have the Board conduct a stress test with respect to the company in a year ending in an odd number by providing notice to the Board and the appropriate Federal Reserve Bank by January 15 of that year.

* * * * *

(d) *Capital Action Assumptions.* In conducting a stress test under this section, the Board will make the following assumptions regarding a covered company's capital actions over the planning horizon:

(1) The covered company will not pay any dividends on any instruments that qualify as common equity tier 1 capital;

(2) The covered company will make payments on instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividend, interest, or principal due on such instrument;

(3) The covered company will not make a redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and

(4) The covered company will not make any issuances of common stock or preferred stock.

Subpart P—Company-Run Stress Test Requirements for Savings and Loan Holding Companies

7. Amend § 238.144 by revising paragraphs (a)(2) and (b)(1) and (2) and adding paragraphs (b)(3) and (4) to read as follows:

§ 238.144 Methodologies and practices.

(a) * * *

(2) The potential impact on pro forma regulatory capital levels and pro forma capital ratios (including regulatory capital ratios and any other capital ratios specified by the Board), and in so doing must:

(i) Incorporate the effects of any capital actions over the planning horizon and maintenance of an allowance for credit losses appropriate for credit exposures throughout the planning horizon; and

(ii) Exclude the impacts of changes to a firm's business plan that are likely to have a material impact on the covered company's capital adequacy and funding profile.

(b) * * *

(1) The covered company will not pay any dividends on any instruments that qualify as common equity tier 1 capital;

(2) The covered company will make payments on instruments that qualify as additional tier 1 capital or tier 2 capital equal to the stated dividend, interest, or principal due on such instrument;

(3) The covered company will not make a redemption or repurchase of any capital instrument that is eligible for inclusion in the numerator of a regulatory capital ratio; and

(4) The covered company will not make any issuances of common stock or preferred stock.

* * * * *

8. Amend § 238.146 by revising paragraph (a)(1) to read as follows:

§ 238.146 Disclosure of stress test results.

(a) *Public disclosure of results*—(1) *In general.* (i) A covered company that is subject to a supervisory stress test under 12 CFR §238.132 must publicly disclose a summary of the results of the stress test required under §238.143 within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to §238.134, unless that time is extended by the Board in writing; and

(ii) A covered company that is not subject to a supervisory stress test under § 238.132 must publicly disclose a summary of the results of the stress test required under § 238.143 in the period beginning on June 15 and ending on June 30 in the year in which the stress test is conducted, unless that time is extended by the Board in writing.

* * * * *

9. Add Subpart S, consisting of § 238.170, to read as follows:

Subpart S—Capital Planning and Stress Capital Buffer Requirement

§ 238.170 Capital planning and stress capital buffer requirement.

(a) *Purpose.* This section establishes capital planning and prior notice and approval requirements for capital distributions by certain savings and loan holding companies. This section also establishes the Board's process for determining the stress capital buffer requirement applicable to these savings and loan holding companies.

(b) *Scope and reservation of authority*—(1) *Applicability.* Except as provided in §238.170(c), this section applies to:

(i) Any top-tier covered savings and loan holding company domiciled in the United States with average total consolidated assets of \$100 billion or more (\$100 billion asset threshold); and

(ii) Any other covered savings and loan holding company domiciled in the United States that is made subject to this section, in whole or in part, by order of the Board.

(2) *Average total consolidated assets.* For purposes of this section, average total consolidated assets means the average of the total consolidated assets as reported by a covered savings and loan holding company on its Consolidated Financial Statements for Holding Companies (FR Y-9C) for the four most recent consecutive quarters. If the covered savings and loan holding company has not filed the FR Y-9C for each of the four most recent consecutive quarters, average total consolidated assets means the average of the company's total consolidated assets, as reported on the company's FR Y-9C, for the most recent quarter or consecutive quarters, as applicable. Average total consolidated assets are measured on the as-of date of the most recent FR Y-9C used in the calculation of the average.

(3) *Ongoing applicability.* A covered savings and loan holding company (including any successor covered savings and loan holding company) that is subject to any requirement in this section shall remain subject to such requirements unless and until its total consolidated assets fall below \$100 billion for each of four consecutive quarters, as reported on the FR Y-9C and effective on the as-of date of the fourth consecutive FR Y-9C.

(4) *Reservation of authority.* Nothing in this section shall limit the authority of the Federal Reserve to issue or enforce a capital directive or take any other supervisory or enforcement action, including an action to address unsafe or unsound practices or conditions or violations of law.

(5) *Application of this section by order.* The Board may apply this section, in whole or in part, to a covered savings and loan holding company by order based on the institution's size, level of complexity, risk profile, scope of operations, or financial condition.

(c) *Transition periods for certain covered savings and loan holding companies.* (1) A covered savings and loan holding company that meets the \$100 billion asset threshold (as measured under paragraph (b) of this section) on or before September 30 of a calendar year must

comply with the requirements of this section beginning on January 1 of the next calendar year, unless that time is extended by the Board in writing. Notwithstanding the previous sentence, the Board will not provide a covered savings and loan holding company with notice of its stress capital buffer requirement until the first year in which the Board conducts an analysis of the covered savings and loan company pursuant to 12 CFR 238.132.

(2) A covered savings and loan holding company that meets the \$100 billion asset threshold after September 30 of a calendar year must comply with the requirements of this section beginning on January 1 of the second calendar year after the covered savings and loan holding company meets the \$100 billion asset threshold, unless that time is extended by the Board in writing. Notwithstanding the previous sentence, the Board will not provide a covered savings and loan holding company with notice of its stress capital buffer requirement until the first year in which the Board conducts an analysis of the covered savings and loan holding company pursuant to 12 CFR 238.132.

(3) The Board, or the appropriate Reserve Bank with the concurrence of the Board, may require a covered savings and loan holding company described in paragraph (c)(1) or (2) of this section to comply with any or all of the requirements of this section if the Board, or appropriate Reserve Bank with concurrence of the Board, determines that the requirement is appropriate on a different date based on the company's risk profile, scope of operation, or financial condition and provides prior notice to the company of the determination.

(d) *Definitions.* For purposes of this section, the following definitions apply:

(1) *Advanced approaches* means the risk-weighted assets calculation methodologies at 12 CFR part 217, subpart E, as applicable.

(2) *Average total nonbank assets* means the average of the total nonbank assets, calculated in accordance with the instructions to the FR Y-9LP, for the four most recent calendar quarters or, if the covered savings and loan holding company has not filed the FR Y-9LP for

each of the four most recent calendar quarters, for the most recent quarter or quarters, as applicable.

(3) *Capital action* means any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the Federal Reserve determines could impact a covered savings and loan holding company's consolidated capital.

(4) *Capital distribution* means a redemption or repurchase of any debt or equity capital instrument, a payment of common or preferred stock dividends, a payment that may be temporarily or permanently suspended by the issuer on any instrument that is eligible for inclusion in the numerator of any minimum regulatory capital ratio, and any similar transaction that the Federal Reserve determines to be in substance a distribution of capital.

(5) *Capital plan* means a written presentation of a covered savings and loan holding company's capital planning strategies and capital adequacy process that includes the mandatory elements set forth in paragraph (e)(2) of this section.

(6) *Capital plan cycle* means the period beginning on January 1 of a calendar year and ending on December 31 of that year.

(7) *Capital policy* means a covered savings and loan holding company's written principles and guidelines used for capital planning, capital issuance, capital usage and distributions, including internal capital goals; the quantitative or qualitative guidelines for capital distributions; the strategies for addressing potential capital shortfalls; and the internal governance procedures around capital policy principles and guidelines.

(8) *Category IV savings and loan holding company* means a covered savings and loan holding company identified as a Category IV banking organization pursuant to 12 CFR 238.10.

(9) *Common equity tier 1 capital* has the same meaning as under 12 CFR part 217.

(10) *Effective capital distribution limitations* means any limitations on capital distributions established by the Board by order or regulation, including pursuant to 12 CFR

217.11, provided that, for any limitations based on risk-weighted assets, such limitations must be calculated using the standardized approach, as set forth in 12 CFR part 217, subpart D.

(11) *Final planned capital distributions* means the planned capital distributions included in a capital plan that include the adjustments made pursuant to paragraph (h) of this section, if any.

(12) *Internal baseline scenario* means a scenario that reflects the covered savings and loan holding company's expectation of the economic and financial outlook, including expectations related to the covered saving and loan holding company's capital adequacy and financial condition.

(13) *Internal stress scenario* means a scenario designed by a covered savings and loan holding company that stresses the specific vulnerabilities of the covered savings and loan holding company's risk profile and operations, including those related to the covered savings and loan holding company's capital adequacy and financial condition.

(14) *Planning horizon* means the period of at least nine consecutive quarters, beginning with the quarter preceding the quarter in which the covered savings and loan holding company submits its capital plan, over which the relevant projections extend.

(15) *Regulatory capital ratio* means a capital ratio for which the Board has established minimum requirements for the covered savings and loan holding company by regulation or order, including, as applicable, the covered savings and loan holding company's regulatory capital ratios calculated under 12 CFR part 217 and the deductions required under 12 CFR 248.12; except that the covered savings and loan holding company shall not use the advanced approaches to calculate its regulatory capital ratios.

(16) *Severely adverse scenario* means a set of conditions that affect the U.S. economy or the financial condition of a covered company and that overall are significantly more severe than those associated with the baseline scenario and may include trading or other additional components.

(17) *Stress capital buffer requirement* means the amount calculated under paragraph (f) of this section.

(18) *Supervisory stress test* means a stress test conducted using a severely adverse scenario and the assumptions contained in 12 CFR part 238, subpart O.

(e) *Capital planning requirements and procedures*—(1) *Annual capital planning*. (i) A covered savings and loan holding company must develop and maintain a capital plan.

(ii) A covered savings and loan holding company must submit its complete capital plan to the Board and the appropriate Reserve Bank by April 5 of each calendar year, or such later date as directed by the Board or by the appropriate Reserve Bank with concurrence of the Board.

(iii) The covered savings and loan holding company's board of directors or a designated committee thereof must at least annually and prior to submission of the capital plan under paragraph (e)(1)(ii) of this section:

(A) Review the robustness of the covered savings and loan holding company's process for assessing capital adequacy;

(B) Ensure that any deficiencies in the covered savings and loan holding company's process for assessing capital adequacy are appropriately remedied; and

(C) Approve the covered savings and loan holding company's capital plan.

(2) *Mandatory elements of capital plan*. A capital plan must contain at least the following elements:

(i) An assessment of the expected uses and sources of capital over the planning horizon that reflects the covered savings and loan holding company's size, complexity, risk profile, and scope of operations, assuming both expected and stressful conditions, including:

(A) Estimates of projected revenues, losses, reserves, and pro forma capital levels, including regulatory capital ratios, and any additional capital measures deemed relevant by the covered savings and loan holding company, over the planning horizon under a range of scenarios, including:

(1) If the covered savings and loan holding company is a Category IV savings and loan holding company, the Internal baseline scenario and at least one Internal stress scenario, as well as any additional scenarios, based on financial conditions or the macroeconomic outlook, or based on the covered savings and loan holding company's financial condition, size, complexity, risk profile, or activities, or risks to the U.S. economy, that the Federal Reserve may provide the covered savings and loan holding company after giving notice to the covered savings and loan holding company; or

(2) If the covered savings and loan holding company is not a Category IV savings and loan holding company, any scenarios provided by the Federal Reserve, the Internal baseline scenario, and at least one Internal stress scenario;

(B) A discussion of the results of any stress test required by law or regulation, and an explanation of how the capital plan takes these results into account; and

(C) A description of all planned capital actions over the planning horizon. Planned capital actions must be consistent with effective capital distribution limitations, except as may be adjusted pursuant to paragraph (h) of this section. In determining whether a covered savings and loan holding company's planned capital distributions are consistent with effective capital distribution limitations, a covered savings and loan holding company must assume that any countercyclical capital buffer amount currently applicable to the covered savings and loan holding company remains at the same level, except that the covered savings and loan holding company must reflect any increases or decreases in the countercyclical capital buffer amount that have been announced by the Board at the times indicated by the Board's announcement for when such increases or decreases will take effect.

(ii) A detailed description of the covered savings and loan holding company's process for assessing capital adequacy, including:

(A) A discussion of how the covered savings and loan holding company will, under expected and stressful conditions, maintain capital commensurate with its risks, maintain capital

above the regulatory capital ratios, and serve as a source of strength to its subsidiary depository institutions;

(B) A discussion of how the covered savings and loan holding company will, under expected and stressful conditions, maintain sufficient capital to continue its operations by maintaining ready access to funding, meeting its obligations to creditors and other counterparties, and continuing to serve as a credit intermediary;

(iii) The covered savings and loan holding company's capital policy; and

(iv) A discussion of any expected changes to the covered savings and loan holding company's business plan that are likely to have a material impact on the covered savings and loan holding company's capital adequacy or liquidity.

(3) *Data collection.* Upon the request of the Board or appropriate Reserve Bank, the covered savings and loan holding company shall provide the Federal Reserve with information regarding:

(i) The covered savings and loan holding company's financial condition, including its capital;

(ii) The covered savings and loan holding company's structure;

(iii) Amount and risk characteristics of the covered savings and loan holding company's on- and off-balance sheet exposures, including exposures within the covered savings and loan holding company's trading account, other trading-related exposures (such as counterparty-credit risk exposures) or other items sensitive to changes in market factors, including, as appropriate, information about the sensitivity of positions to changes in market rates and prices;

(iv) The covered savings and loan holding company's relevant policies and procedures, including risk management policies and procedures;

(v) The covered savings and loan holding company's liquidity profile and management;

(vi) The loss, revenue, and expense estimation models used by the covered savings and loan holding company for stress scenario analysis, including supporting documentation regarding each model's development and validation; and

(vii) Any other relevant qualitative or quantitative information requested by the Board or by the appropriate Reserve Bank to facilitate review of the covered savings and loan holding company's capital plan under this section.

(4) *Resubmission of a capital plan.* (i) A covered savings and loan holding company must update and resubmit its capital plan to the appropriate Reserve Bank within 30 calendar days of the occurrence of one of the following events:

(A) The covered savings and loan holding company determines there has been or will be a material change in the covered savings and loan holding company's risk profile, financial condition, or corporate structure since the covered savings and loan holding company last submitted the capital plan to the Board and the appropriate Reserve Bank under this section; or

(B) The Board, or the appropriate Reserve Bank with concurrence of the Board, directs the covered savings and loan holding company in writing to revise and resubmit its capital plan for any of the following reasons:

(1) The capital plan is incomplete or the capital plan, or the covered savings and loan holding company's internal capital adequacy process, contains material weaknesses;

(2) There has been, or will likely be, a material change in the covered savings and loan holding company's risk profile (including a material change in its business strategy or any risk exposure), financial condition, or corporate structure;

(3) The Internal stress scenario(s) are not appropriate for the covered savings and loan holding company's business model and portfolios, or changes in financial markets or the macro-economic outlook that could have a material impact on a covered savings and loan holding company's risk profile and financial condition require the use of updated scenarios; or

(ii) The Board, or the appropriate Reserve Bank with concurrence of the Board, may extend the 30-day period in paragraph (e)(4)(i) of this section for up to an additional 60 calendar days, or such longer period as the Board or the appropriate Reserve Bank, with concurrence of the Board, determines appropriate.

(iii) Any updated capital plan must satisfy all the requirements of this section; however, a covered savings and loan holding company may continue to rely on information submitted as part of a previously submitted capital plan to the extent that the information remains accurate and appropriate.

(5) *Confidential treatment of information submitted.* The confidentiality of information submitted to the Board under this section and related materials shall be determined in accordance with applicable exemptions under the Freedom of Information Act (5 U.S.C. 552(b)) and the Board's Rules Regarding Availability of Information (12 CFR part 261).

(f) *Calculation of the stress capital buffer requirement—(1) General.* The Board will determine the stress capital buffer requirement that applies under 12 CFR 217.11 pursuant to paragraph (f) of this section. For each covered savings and loan holding company that is not a Category IV savings and loan holding company, the Board will calculate the covered savings and loan holding company's stress capital buffer requirement annually. For each Category IV savings and loan holding company, the Board will calculate the covered savings and loan holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an even number, and will adjust the covered savings and loan holding company's stress capital buffer requirement biennially, occurring in each calendar year ending in an odd number. Notwithstanding the previous sentence, the Board will calculate the stress capital buffer requirement of a Category IV savings and loan holding company in a year ending in an odd number with respect to which that company makes an election pursuant to 12 CFR 238.132(c)(2)(ii).

(2) *Stress capital buffer requirement calculation.* A covered savings and loan holding company's stress capital buffer requirement is equal to the greater of:

(i) The following calculation:

(A) The ratio of a covered savings and loan holding company's common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, as of the final quarter of the previous capital plan cycle, unless otherwise determined by the Board; minus

(B) The lowest projected ratio of the covered savings and loan holding company's common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a supervisory stress test; plus

(C) The ratio of:

(1) The sum of the covered savings and loan holding company's planned common stock dividends (expressed as a dollar amount) for each of the fourth through seventh quarters of the planning horizon; to

(2) The risk-weighted assets of the covered savings and loan holding company in the quarter in which the covered savings and loan holding company had its lowest projected ratio of common equity tier 1 capital to risk-weighted assets, as calculated under 12 CFR part 217, subpart D, in any quarter of the planning horizon under a supervisory stress test; and

(ii) 2.5 percent.

(3) *Recalculation of stress capital buffer requirement.* If a covered savings and loan holding company resubmits its capital plan pursuant to paragraph (e)(4) of this section, the Board may recalculate the covered savings and loan holding company's stress capital buffer requirement. The Board will provide notice of whether the covered savings and loan holding company's stress capital buffer requirement will be recalculated within 75 calendar days after the date on which the capital plan is resubmitted, unless the Board provides notice to the company that it is extending the time period.

(4) *Adjustment of stress capital buffer requirement.* In each calendar year in which the Board does not calculate a Category IV savings and loan holding company's stress capital buffer requirement pursuant to paragraph (f)(1) of this section, the Board will adjust the Category IV savings and loan holding company's stress capital buffer requirement to be equal to the result of

the calculation set forth in paragraph (f)(2) of this section, using the same values that were used to calculate the stress capital buffer requirement most recently provided to the covered savings and loan holding company, except that the value used in paragraph (f)(2)(i)(C)(I) of the calculation will be equal to the covered savings and loan holding company's planned common stock dividends (expressed as a dollar amount) for each of the fourth through seventh quarters of the planning horizon as set forth in the capital plan submitted by the covered savings and loan holding company in the calendar year in which the Board adjusts the covered savings and loan holding company's stress capital buffer requirement.

(g) *Review of capital plans by the Federal Reserve.* The Board, or the appropriate Reserve Bank with concurrence of the Board, will consider the following factors in reviewing a covered savings and loan holding company's capital plan:

(1) The comprehensiveness of the capital plan, including the extent to which the analysis underlying the capital plan captures and addresses potential risks stemming from activities across the covered savings and loan holding company and the covered savings and loan holding company's capital policy;

(2) The reasonableness of the covered savings and loan holding company's capital plan, the assumptions and analysis underlying the capital plan, and the robustness of its capital adequacy process;

(3) Relevant supervisory information about the covered savings and loan holding company and its subsidiaries;

(4) The covered savings and loan holding company's regulatory and financial reports, as well as supporting data that would allow for an analysis of the covered savings and loan holding company's loss, revenue, and reserve projections;

(5) The results of any stress tests conducted by the covered savings and loan holding company or the Federal Reserve; and

(6) Other information requested or required by the Board or the appropriate Reserve Bank, as well as any other information relevant, or related, to the savings and loan holding company's capital adequacy.

(h) *Federal Reserve notice of stress capital buffer requirement; final planned capital distributions*—(1) *Notice*. The Board will provide a covered savings and loan holding company with notice of its stress capital buffer requirement and an explanation of the results of the supervisory stress test. Unless otherwise determined by the Board, notice will be provided by June 30 of the calendar year in which the capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section or within 90 calendar days of receiving notice that the Board will recalculate the covered savings and loan holding company's stress capital buffer requirement pursuant to paragraph (f)(3) of this section.

(2) *Response to notice*—(i) *Request for reconsideration of stress capital buffer requirement*. A covered savings and loan holding company may request reconsideration of a stress capital buffer requirement provided under paragraph (h)(1) of this section. To request reconsideration of a stress capital buffer requirement, a covered savings and loan holding company must submit to the Board a request pursuant to paragraph (i) of this section.

(ii) *Adjustments to planned capital distributions*. Within two business days of receipt of notice of a stress capital buffer requirement under paragraph (h)(1) or (i)(5) of this section, as applicable, a covered savings and loan holding company must:

(A) Determine whether the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect; and

(1) If the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario would not be consistent with effective

capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect, the covered savings and loan holding company must adjust its planned capital distributions such that its planned capital distributions would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect; or

(2) If the planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario would be consistent with effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable, in place of any stress capital buffer requirement in effect, the covered savings and loan holding company may adjust its planned capital distributions. A covered savings and loan holding company may not adjust its planned capital distributions to be inconsistent with the effective capital distribution limitations assuming the stress capital buffer requirement provided by the Board under paragraph (h)(1) or (i)(5) of this section, as applicable; and

(B) Notify the Board of any adjustments made to planned capital distributions for the fourth through seventh quarters of the planning horizon under the Internal baseline scenario.

(3) *Final planned capital distributions.* The Board will consider the planned capital distributions, including any adjustments made pursuant to paragraph (h)(2)(ii) of this section, to be the covered savings and loan holding company's final planned capital distributions on the later of:

(i) The expiration of the time for requesting reconsideration under paragraph (i) of this section; and

(ii) The expiration of the time for adjusting planned capital distributions pursuant to paragraph (h)(2)(ii) of this section.

(4) *Effective date of final stress capital buffer requirement.* (i) The Board will provide a savings and loan holding company with its final stress capital buffer requirement and confirmation of the covered savings and loan holding company's final planned capital distributions by August 31 of the calendar year that a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section, unless otherwise determined by the Board. A stress capital buffer requirement will not be considered final so as to be agency action subject to judicial review under 5 U.S.C. 704 during the pendency of a request for reconsideration made pursuant to paragraph (i) of this section or before the time for requesting reconsideration has expired.

(ii) Unless otherwise determined by the Board, a covered savings and loan holding company's final planned capital distributions and final stress capital buffer requirement shall:

(A) Be effective on October 1 of the calendar year in which a capital plan was submitted pursuant to paragraph (e)(1)(ii) of this section; and

(B) Remain in effect until superseded.

(5) *Publication.* With respect to any covered savings and loan holding company subject to this section, the Board may disclose publicly any or all of the following:

(i) The stress capital buffer requirement provided to a covered savings and loan holding company under paragraph (h)(1) or (i)(5) of this section;

(ii) Adjustments made pursuant to paragraph (h)(2)(ii);

(iii) A summary of the results of the supervisory stress test; and

(iv) Other information.

(i) *Administrative remedies; request for reconsideration.* The following requirements and procedures apply to any request under this paragraph (i):

(1) *General.* To request reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, a covered savings and loan holding company must submit a written request for reconsideration.

(2) *Timing of request.* A request for reconsideration of a stress capital buffer requirement, provided under paragraph (h) of this section, must be received within 15 calendar days of receipt of a notice of a covered savings and loan holding company's stress capital buffer requirement.

(3) *Contents of request.* (i) A request for reconsideration must include a detailed explanation of why reconsideration should be granted (that is, why a stress capital buffer requirement should be reconsidered). With respect to any information that was not previously provided to the Federal Reserve in the covered savings and loan holding company's capital plan, the request should include an explanation of why the information should be considered.

(ii) A request for reconsideration may include a request for an informal hearing on the covered savings and loan holding company's request for reconsideration.

(4) *Hearing.* (i) The Board may, in its sole discretion, order an informal hearing if the Board finds that a hearing is appropriate or necessary to resolve disputes regarding material issues of fact.

(ii) An informal hearing shall be held within 30 calendar days of a request, if granted, provided that the Board may extend this period upon notice to the requesting party.

(5) *Response to request.* Within 30 calendar days of receipt of the covered savings and loan holding company's request for reconsideration of its stress capital buffer requirement submitted under paragraph (i)(2) of this section or within 30 days of the conclusion of an informal hearing conducted under paragraph (i)(4) of this section, the Board will notify the company of its decision to affirm or modify the covered savings and loan holding company's stress capital buffer requirement, provided that the Board may extend this period upon notice to the covered savings and loan holding company.

(6) *Distributions during the pendency of a request for reconsideration.* During the pendency of the Board's decision under paragraph (i)(5) of this section, the covered savings and loan holding company may make capital distributions that are consistent with effective distribution limitations, unless prior approval is required under paragraph (j)(1) of this section.

(j) *Approval requirements for certain capital actions—*(1) *Circumstances requiring approval—Resubmission of a capital plan.* Unless it receives prior approval pursuant to paragraph (j)(3) of this section, a covered savings and loan holding company may not make a capital distribution (excluding any capital distribution arising from the issuance of a capital instrument eligible for inclusion in the numerator of a regulatory capital ratio) if the capital distribution would occur after the occurrence of an event requiring resubmission under paragraph (e)(4)(i)(A) or (B) of this section.

(2) *Contents of request.* A request for a capital distribution under this section must contain the following information:

(i) The covered savings and loan holding company's capital plan or a discussion of changes to the covered savings and loan holding company's capital plan since it was last submitted to the Federal Reserve;

(ii) The purpose of the transaction;

(iii) A description of the capital distribution, including for redemptions or repurchases of securities, the gross consideration to be paid and the terms and sources of funding for the transaction, and for dividends, the amount of the dividend(s); and

(iv) Any additional information requested by the Board or the appropriate Reserve Bank (which may include, among other things, an assessment of the covered savings and loan holding company's capital adequacy under a severely adverse scenario, a revised capital plan, and supporting data).

(3) *Approval of certain capital distributions.* (i) The Board, or the appropriate Reserve Bank with concurrence of the Board, will act on a request for prior approval of a capital distribution within 30 calendar days after the receipt of all the information required under paragraph (j)(2) of this section.

(ii) In acting on a request for prior approval of a capital distribution, the Board, or appropriate Reserve Bank with concurrence of the Board, will apply the considerations and

principles in paragraph (g) of this section, as appropriate. In addition, the Board, or the appropriate Reserve Bank with concurrence of the Board, may disapprove the transaction if the covered savings and loan holding company does not provide all of the information required to be submitted under paragraph (j)(2) of this section.

(4) *Disapproval and hearing.* (i) The Board, or the appropriate Reserve Bank with concurrence of the Board, will notify the covered savings and loan holding company in writing of the reasons for a decision to disapprove any proposed capital distribution. Within 15 calendar days after receipt of a disapproval by the Board, the covered savings and loan holding company may submit a written request for a hearing.

(ii) The Board may, in its sole discretion, order an informal hearing if the Board finds that a hearing is appropriate or necessary to resolve disputes regarding material issues of fact. An informal hearing shall be held within 30 calendar days of a request, if granted, provided that the Board may extend this period upon notice to the requesting party.

(iii) Written notice of the final decision of the Board shall be given to the covered savings and loan holding company within 60 calendar days of the conclusion of any informal hearing ordered by the Board, provided that the Board may extend this period upon notice to the requesting party.

(iv) While the Board's decision is pending and until such time as the Board, or the appropriate Reserve Bank with concurrence of the Board, approves the capital distribution at issue, the covered savings and loan holding company may not make such capital distribution.

(k) *Post notice requirement.* A covered savings and loan holding company must notify the Board and the appropriate Reserve Bank within 15 days of making a capital distribution if:

- (1) The capital distribution was approved pursuant to paragraph (j)(3) of this section; or
- (2) The dollar amount of the capital distribution will exceed the dollar amount of the covered savings and loan holding company's final planned capital distributions, as measured on

an aggregate basis beginning in the fourth quarter of the planning horizon through the quarter at issue.

PART 252—ENHANCED PRUDENTIAL STANDARDS (REGULATION YY)

9. The authority citation for part 252 continues to read as follows:

Authority: 12 U.S.C. 321–338a, 481–486, 1467a, 1818, 1828, 1831n, 1831o, 1831p–l, 1831w, 1835, 1844(b), 1844(c), 3101 *et seq.*, 3101 note, 3904, 3906–3909, 4808, 5361, 5362, 5365, 5366, 5367, 5368, 5371.

Subpart E— Supervisory Stress Test Requirements for Certain U.S. Banking Organizations With \$100 Billion or More in Total Consolidated Assets and Nonbank Financial Companies Supervised by the Board

10. Amend § 252.44 by revising paragraphs (a)(3) and (d) to read as follows:

§ 252.44 Analysis conducted by the Board.

(a) * * *

(3) In conducting the analysis, the Board will not incorporate changes to a firm’s business plan that are likely to have a material impact on the covered company’s capital adequacy and funding profile in its projections of losses, net income, pro forma capital levels, and capital ratios.

* * * * *

(d) *Frequency of analysis conducted by the Board*—(1) *General*. Except as provided in paragraph (d)(2) of this section, the Board will conduct its analysis of a covered company according to the frequency in Table 1 to § 252.44(d)(1).

Table 1 to § 252.44(d)(1)

If the covered company is a	Then the Board will conduct its analysis
Global systemically important BHC	Annually.
Category II bank holding company	Annually.
Category II U.S. intermediate holding company	Annually.

Category III bank holding company	Annually.
Category III U.S. intermediate holding company	Annually.
Category IV bank holding company	Biennially, occurring in each year ending in an even number.
Category IV U.S. intermediate holding company	Biennially, occurring in each year ending in an even number.
Nonbank financial company supervised by the Board	Annually.

(2) *Change in frequency.* (i) The Board may conduct a stress test of a covered company on a more or less frequent basis than would be required under paragraph (d)(1) of this section based on the company's financial condition, size, complexity, risk profile, scope of operations, or activities, or risks to the U.S. economy.

(ii) A Category IV bank holding company or Category IV U.S. intermediate holding company may elect to have the Board conduct a stress test with respect to the company in a year ending in an odd number by providing notice to the Board and the appropriate Federal Reserve Bank by January 15 of that year. Notwithstanding the previous sentence, such a company may elect to have the Board conduct a stress test with respect to the company in the year 2021 by providing notice to the Board and the appropriate Federal Reserve Bank by April 5, 2021.

(3) *Notice and response—(i) Notification of change in frequency.* If the Board determines to change the frequency of the stress test under paragraph (d)(2)(i) of this section, the Board will notify the company in writing and provide a discussion of the basis for its determination.

(ii) *Request for reconsideration and Board response.* Within 14 calendar days of receipt of a notification under paragraph (d)(3)(i) of this section, a covered company may request in writing that the Board reconsider the requirement to conduct a stress test on a more or less frequent basis than would be required under paragraph (d)(1) of this section. A covered company's request for reconsideration must include an explanation as to why the request for reconsideration should be granted. The Board will respond in writing within 14 calendar days of receipt of the company's request.

Subpart F—Company-Run Stress Test Requirements for Certain U.S. Bank Holding Companies and Nonbank Financial Companies Supervised by the Board

11. Amend § 252.54 revising paragraph (b)(2)(i)(B) to read as follows:

§ 252.54 Stress test.

* * * *

(b) * *

(2) * *

(i) * *

(B) Is not a Category IV bank holding company.

* * * *

12. Amend § 252.56 by revising paragraph (a)(2) to read as follows:

§ 252.56 Methodologies and practices.

(a) * *

(2) The potential impact on the regulatory capital levels and ratios applicable to the covered bank, and any other capital ratios specified by the Board, and in doing so must:

(i) Incorporate the effects of any capital action over the planning horizon and maintenance of an allowance for loan losses or adjusted allowance for credit losses, as appropriate, for credit exposures throughout the planning horizon; and

(ii) Exclude the impacts of changes to a firm's business plan that are likely to have a material impact on the covered company's capital adequacy and funding profile.

* * * *

13. Amend § 252.58 by revising paragraph (a)(1) to read as follows:

§252.58 Disclosure of stress test results.

(a) * * *

(1) *In general.* A covered company must publicly disclose a summary of the results of the stress test required under § 252.54 within the period that is 15 calendar days after the Board publicly discloses the results of its supervisory stress test of the covered company pursuant to § 252.46(b), unless that time is extended by the Board in writing.

* * * * *

Appendix B to Part 252 – [Amended]

14. Amend appendix B to part 252 by removing and reserving section 2.6.

By order of the Board of Governors of the Federal Reserve System.

Ann Misback,
Secretary of the Board.

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